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United Nations

# Financial report and audited financial statements

## for the biennium ended 31 December 2009

## and

# Report of the Board of Auditors

## Volume IV
## United Nations University

**General Assembly**
**Official Records**
**Sixty-fifth Session**
**Supplement No. 5**

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**Volume IV**
**United Nations University**

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*Note*

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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# Letters of transmittal

31 March 2010

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the United Nations University for the biennium ended 31 December 2009, which I hereby approve. The financial statements have been completed and certified by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) **BAN** Ki-moon

The Chairman of the Board of Auditors
United Nations
New York

30 June 2010

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations University for the biennium ended 31 December 2009.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

**The President of the General Assembly**
**of the United Nations**
**New York**

# Chapter I

## Report of the Board of Auditors on the financial statements: audit opinion

We have audited the accompanying financial statements of the United Nations University (UNU), which comprise the statement of assets, liabilities and reserves and fund balances (statement II) as at 31 December 2009; the statement of income and expenditure and changes in reserves and fund balances (statement I); the cash flow statement (statement III) and the statement of appropriations (statement IV) for the biennium then ended; and the schedules and explanatory notes.

### Management's responsibility for the financial statements

The United Nations Controller is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as the management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations University as at 31 December 2009 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

### Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations University that have come to our notice, or which we have tested as part of our audit, have in

all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of the United Nations University.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor-General of China
(Lead Auditor)

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France

30 June 2010

# Chapter II
# Long-form report of the Board of Auditors

*Summary*

The Board of Auditors (the Board) has audited the financial statements and reviewed the operations of the United Nations University (UNU) for the biennium ended 31 December 2009. The audit was carried out through field visits to the UNU Institute for Water, Environment and Health in Canada, the UNU Institute of Advanced Studies in Japan and the UNU World Institute for Development Economics Research in Finland, as well as a review of the financial transactions and operations at the UNU headquarters offices in Tokyo and in Kuala Lumpur, Malaysia.

**Unmodified audit opinion**

The Board issued an unmodified audit opinion, as reflected in chapter I.

**Follow-up of previous recommendations**

Of the 19 recommendations made for the biennium 2006-2007, 11 (58 per cent) were fully implemented; five (26 per cent) were under implementation; two (11 per cent) were not implemented and one (5 per cent) was overtaken by events. Details of the status of implementation of these recommendations are shown in the annex.

The seven recommendations that were under implementation or were not yet implemented were first made with reference to the biennium 2006-2007.

**Financial overview**

For the period under review, total income was $120.14 million, compared with $141.41 million for the previous biennium, a decrease of 15 per cent. Total expenditure amounted to $156.40 million, compared with $79.44 million for the previous biennium, an increase of 97 per cent. This resulted in a deficit of income over expenditure of $36.27 million, compared with an excess of income over expenditure of $61.98 million in the preceding biennium.

**Progress towards the implementation of the International Public Sector Accounting Standards**

UNU has joined the partnership of the United Nations Development Programme (UNDP) and other United Nations agencies in the implementation of an integrated global enterprise resource planning system (Atlas), which replaced the Financial, Budgetary and Personnel Management System with effect from 1 January 2009. UNU has not developed its own plan for the implementation of the International Public Sector Accounting Standards (IPSAS) and will instead follow the UNDP deadline of 2012 for the implementation of IPSAS.

**End-of-service liabilities, including after-service health insurance**

The financial statements for the period under review reflected end-of-service liabilities amounting to $5.71 million, compared with $6.69 million as at the end of the previous biennium, a decrease of $0.98 million. This decrease was mainly due to the revaluation of unused vacation days and repatriation benefits using actuarial calculations, as well as the inclusion of active staff in the determination of the after-service health insurance liabilities of UNU. However, UNU has not developed a funding strategy for these liabilities.

**Programme and project management**

A project management manual was not established to monitor project implementation and some of the project workplans did not specify the activities scheduled or staff travel plans.

**Procurement and contract management**

At the UNU Centre, procurement plans for some projects were not updated in a timely manner. Also, several purchase orders were not approved at the appropriate level of delegation of authority. In addition, the UNU Centre did not prepare contract performance reports on a regular basis, as required by rule 7.11.2 (1) (c) of the Procurement Manual.

**Non-expendable property management**

As shown in note 7 (a) to the financial statements, the value of non-expendable property as at 31 December 2009 amounted to $6.35 million. However, at the UNU Centre offices in Tokyo and Kuala Lumpur, no physical verification of non-expendable property valued at $2.83 million was conducted for the biennium 2008-2009. Also, there was no information in the asset records in relation to the location of 125 items valued at $0.38 million.

**Consultants, experts and temporary assistance**

Based on sample tests carried out, 17 personnel service agreement files and 19 consultant contract files showed no evidence that the recruitment process was conducted in a competitive manner.

**Internal audit function/findings**

UNU does not have its own internal audit service and relies on the Office of Internal Oversight Services (OIOS) to perform such service on its behalf. However, OIOS did not carry out any audit for the period under review because the funding agreement between UNU and OIOS for the internal audit service was pending.

**Disclosures by the management**

The management has made certain disclosures in section C of the present report with regard to the write-off of losses; ex gratia payments; and cases of fraud and presumptive fraud.

**Recommendations**

The Board has made 16 recommendations based on its audit. The main recommendations are that UNU:

(a) **Review, in coordination with the United Nations Joint Staff Pension Fund, the current allocation in the investment portfolio in relation to the proportion of the equity investment in the Endowment Fund;**

(b) **Develop a funding plan for end-of-service liabilities for consideration and approval by the UNU Council;**

(c) **Consider a revision of its policy for the valuation of leave liability in its implementation of the International Public Sector Accounting Standards;**

(d) **Develop a project management manual to provide UNU staff with guidance, key principles and a framework for effective programme and project management; and maintain essential files relating to project implementation;**

(e) **Take measures to improve project management by including required information in the project workplans;**

(f) **Take measures, in coordination with UNDP, to improve the query function of Atlas on the basis of a cost-effective analysis;**

(g) **Strictly comply with the requirements of rule 8.2.1 (2) of the Procurement Manual in relation to technical specifications;**

(h) **Update procurement plans as required by rule 8.1.4 (1) of the Procurement Manual;**

(i) **Comply strictly with the Financial Regulations and Rules of the United Nations in relation to the delegation of procurement authority;**

(j) **Prepare contract performance reports on a regular basis, in compliance with rule 7.11.2 (1) (c) of the Procurement Manual;**

(k) **Conduct physical verification of non-expendable property regularly, in accordance with the requirements of section 3.6 of the administrative instruction on property management and inventory control;**

(l) **Ensure that, in the selection of personnel, all the required procedures relating to the recruitment process are followed;**

(m) **In coordination with OIOS, expedite the finalization of the funding agreement for the provision of internal audit services to UNU.**

The other recommendations are shown at paragraphs 19, 68 and 89.

## A. Mandate, scope and methodology

1. The Board of Auditors (the Board) has audited the financial statements of the United Nations University (UNU) and has reviewed its operations for the biennium from 1 January 2008 to 31 December 2009 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNU as at 31 December 2009 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing body and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence, to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNU operations under financial regulation 7.5, in accordance with which the Board may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNU. The General Assembly had also requested the Board to follow up on previous recommendations and to report to it accordingly. These matters are addressed in the relevant sections of the present report.

4. The Board continues to report the results of audits to UNU in the form of management letters containing detailed observations and recommendations. This practice allows for ongoing dialogue with the administration. Three management letters were issued covering the period under review.

5. Where observations in the present report refer to specific locations, such observations are limited only to those locations.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests of the General Assembly and the Advisory Committee on Administrative and Budgetary Questions.

7. The Board's observations and conclusions were discussed with the UNU administration, whose views have been appropriately reflected in the present report.

8. The recommendations contained in the present report do not address steps which UNU may wish to consider in respect of instances of non-compliance by officials with the Financial Regulations and Rules, administrative instructions or other related directives.

## B. Findings and recommendations

### 1. Follow-up of previous recommendations

9. Of the 19 recommendations made for the biennium 2006-2007, 11 (58 per cent) were fully implemented; five (26 per cent) were under implementation; two (11 per cent) were not implemented and one (5 per cent) was overtaken by events. For the biennium 2005-2006, 40 per cent of the recommendations were fully implemented, while 60 per cent were under implementation. Details of the status of implementation of the recommendations for 2006-2007 are shown in the annex.

10. In response to the request of the Advisory Committee on Administrative and Budgetary Questions (A/59/736, para. 8), the Board evaluated the ageing of its previous recommendations that were partially or not yet implemented and noted that the seven recommendations that were not fully implemented, or were not implemented, had first been made in 2006-2007.

*Recommendations not implemented*

11. The recommendation that was not implemented relates to a request for OIOS to include in its plan for the biennium 2008-2009 the audit of the UNU Centre and selected research and training centres. OIOS did not conduct any audit for the period under review.

12. In its previous report (A/63/5 (Vol. IV)), the Board had recommended that UNU provide the appropriate funding for the settlement of end-of-service liabilities. In its summary of its principal findings and conclusions (A/63/169), the Board also expressed the view that the recording of end-of-service liabilities in financial statements required a comprehensive and effective funding plan. UNU, however, did not prepare a funding plan for end-of-service liabilities for approval by the UNU Council.

*Recommendations under implementation*

13. With regard to the recommendation on enhancing the new Atlas system in order to improve the management and recording of the investment accounts, UNU considered leveraging the investment module of Atlas to improve the recording of the investment accounts. UNU had also adopted an alternative modality to record the investment transactions during 2009.

14. In relation to the three recommendations to improve the programme management in a number of areas, such as programme planning, budgeting, monitoring and evaluation; filing; and assessment of performance, the Board's assessment was that those recommendations were of an ongoing nature.

15. With regard to the recommendation to develop an IPSAS implementation plan, UNU has joined the partnership of the United Nations Development Programme (UNDP) and other United Nations agencies in the implementation of the integrated global enterprise resource planning system (Atlas) which replaced the Financial, Budgetary and Personnel Management System with effect from 1 January 2009. This matter is discussed further in the relevant section of the present report.

*Recommendation overtaken by events*

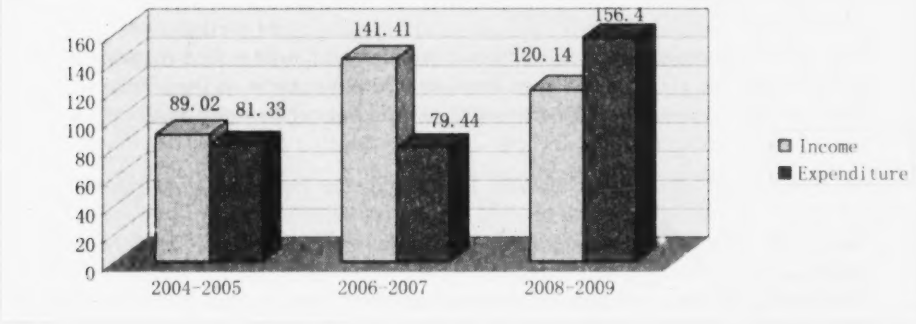
16. The Board considered that the recommendation that UNU address the limitations of the Financial, Budgetary and Personnel Management System had been overtaken by events, since that system had been replaced by the new Atlas system.

## 2. Financial overview

17. Total income for the period under review was $120.14 million, while total expenditure amounted to $156.4 million, giving a shortfall of income over expenditure of $36.26 million. Comparative income and expenditure for the financial periods 2004-2005, 2006-2007 and 2008-2009 are shown in the figure below.

**Comparative income and expenditure**

(Millions of United States dollars)




*Note*: Based on the audited financial statements.

18. As stated in footnote (c) to the statement of income and expenditure, the comparative income figure has been restated to conform to the current presentation. This was due to the decision of the United Nations University to discontinue transfers from reserves and fund balances to income, as recommended previously by the Board. However, the Board is of the view that an appropriate disclosure in the notes to the financial statements would enhance understandability in relation to this matter.

19. **The Board recommends that UNU disclose in a separate note the reason for the change in policy with regard to transfers from reserves and fund balances to income.**

20. The Administration commented that comparative information was provided for information purposes only and, if required, reclassifications of the prior periods were made in order to comply with the format of the current period. However, in order to enhance the understandability of the financial statements, and pursuant to paragraph 11 of the United Nations system accounting standards, the administration considered that additional disclosures might be made in future financial statements, where there were material or significant reclassifications or restatements of comparative information.

21. Compared with the previous biennium, total expenditure for the period under review increased by $79.44 million or 97 per cent. That increase was attributable mainly to the loss of $54.95 million on the sale of securities in the Endowment Fund.

22. Total income for the period under review decreased by $21.28 million compared with the previous biennium. This was mainly due to the decrease of interest income by $25.01 million and the decrease of miscellaneous income by $18.82 million. Voluntary contributions increased by $21.4 million.

*Losses incurred on the sale of securities in the Endowment Fund*

23. UNU is an international non-profit entity. Its Endowment Fund is managed by the United Nations Joint Staff Pension Fund, which has appointed a financial advisory firm as the investment manager of the Fund. According to note 4 to the financial statements, the investment policy for the long-term allocation of investments is: 5 per cent cash, 50 per cent equity and 45 per cent fixed income.

24. The long-term investment of the Endowment Fund decreased by $50.39 million, from $312.35 million as at 31 December 2007 to $261.96 million as at 31 December 2009. According to footnote (j) to the statement of income and expenditure and changes in reserves and fund balances, the loss realized on the sale of securities under the Endowment Fund was $54.95 million, accounting for: (a) 46 per cent of the total income of $120.14 million; (b) 19 per cent of the total net assets of the Endowment Fund; and (c) 35 per cent of the total expenditure of $156.40 million. Of the total losses realized, 97 per cent were attributable to the sale of equities.

25. UNU explained that the custodianship of the UNU Endowment Fund rested with the United Nations Secretary-General, as set out in the UNU Charter. Therefore, UNU and the UNU Council had no direct say in decisions concerning the investment of the funds in the UNU Endowment Fund. The Investment Management Division of the United Nations, guided by the United Nations Investments Committee, set the parameters within which those funds were invested by a specialist contractor engaged to manage the day-to-day investment transactions of the Endowment Fund. UNU further explained that it was closely monitoring the investment performance, to ensure the long-term financial sustainability of the University.

26. **UNU agreed with the Board's recommendation that it review, in coordination with the United Nations Joint Staff Pension Fund, the current allocation in the investment portfolio in relation to the proportion of the equity investment in the Endowment Fund.**

27. UNU commented that it had written on 28 May 2010 to the Director of the Investment Management Division, who had responded that discussion would continue to ensure that the asset allocation served the needs of the University, within an appropriate risk-management framework.

28. The total assets of UNU amounted to $344.74 million as at 31 December 2009, compared with $376.32 million as at 31 December 2007, a decrease of $31.58 million or 8 per cent. Total liabilities as at 31 December 2009 were $19.81 million, compared with $19.00 million as at 31 December 2007, an increase of $0.81 million or 4 per cent.

29. As shown in the table below, all the financial indicators selected reflect improvements, except the ratio of interest income to total investments, which decreased from 0.15 for the biennium 2006-2007 to 0.09 for the biennium 2008-2009.

**Ratios of key financial indicators**

| *Ratio* | *Biennium ended 31 December* | | | *Component of 2009 ratio*[a] |
|---|---|---|---|---|
| | *2005* | *2007* | *2009* | |
| Voluntary contributions receivable/total assets[b] | 0.02 | 0.01 | 0.01 | 4.232/344.736 |
| Cash (excluding cash pool)/total assets[c] | 0.07 | 0.10 | 0.12 | 41.556/344.736 |
| Cash (excluding cash pool)/liabilities[d] | 2.57 | 1.86 | 2.10 | 41.556/19.810 |
| Interest income/total investments (including cash and term deposits as well as cash pools)[e] | 0.11 | 0.15 | 0.09 | 28.257/330.138 |
| Interest income (including investment losses)/ total investments (including cash and term deposits as well as cash pools)[f] | 0.11 | 0.15 | -0.08 | -26.693/330.138 |
| Voluntary contributions/income[g] | 0.43 | 0.37 | 0.63 | 75.617/120.135 |

*Note*: Based on the audited financial statements.

[a] In millions of United States dollars.

[b] A low indicator depicts a healthy financial position.

[c] A high indicator depicts a healthy financial position.

[d] A low indicator is a reflection that insufficient cash is available to settle debts.

[e] Indicates the earnings capacity of investments.

[f] Indicates the earnings capacity of investments (investment earnings including losses on the sale of securities).

[g] Reflects the extent of efficiency of fund-raising activities.

## 3. Progress towards the implementation of the International Public Sector Accounting Standards

30. In accordance with General Assembly resolution 60/283 and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions (see A/61/350), the Board reviewed the implementation of the International Public Sector Accounting Standards (IPSAS) and of new or upgraded enterprise resource planning systems.

31. UNU has joined the UNDP partnership in the implementation of the integrated global enterprise resource planning system (Atlas) which replaced the Financial, Budgetary and Personnel Management System with effect from 1 January 2009. However, UNU has not developed its IPSAS implementation plan and will be following the UNDP deadline of 2012 for the implementation of IPSAS.

## 4. End-of-service liabilities including after-service health insurance

32. In accordance with the request of the General Assembly in resolution 64/241, the Board continued its validation of the accrued liabilities of UNU for after-service health insurance. The financial statements for the period under review reflected end-of-service liabilities amounting to $5.71 million. Of that amount, $3.61 million represented after-service health insurance, $0.78 million related to unused annual leave credits and $1.31 million represented repatriation benefits. Compared with

$6.69 million as at the end of the previous biennium, the total end-of-service liabilities as at 31 December 2009 decreased by $0.98 million. That decrease was mainly due to the change in accounting policy to an actuarial basis for valuation of the liabilities in relation to annual leave and repatriation benefits, as well as the inclusion of the contributions of active staff as offset in the determination of the after-service health insurance liabilities of UNU.

*Funding plan for end-of-service liabilities, including after-service health insurance*

33. In its previous report (A/63/5 (Vol. IV)), the Board had recommended that UNU provide the appropriate funding for the settlement of end-of-service liabilities. UNU had not prepared a funding plan for end-of-service liabilities for approval by the UNU Council. Such a plan should include a comprehensive and effective funding strategy that takes account of the nature of the liabilities to be funded. Where the end-of-service liabilities are not supported by a funding plan, there is a risk that UNU might not be in a financial position to fully met its obligations as and when they become due.

34. **UNU agreed with the Board's recommendation that it develop a funding plan for end-of-service liabilities for consideration and approval by the UNU Council.**

*Actuarial valuation of annual leave*

35. As at 31 December 2009, UNU had accrued a liability for annual leave amounting to $0.78 million. Whereas the annual leave liability had previously been estimated using the current-cost methodology, UNU changed its accounting policy and calculated the annual leave liability in the basis of an actuarial valuation performed by an external consultant. The external actuary firm indicated in its report that it had been requested by UNU to provide "an actuarial valuation of after-service health insurance, repatriation and annual leave benefits for the purpose of reporting under International Public Sector Accounting Standard 25".

36. The Board reviewed the actuarial valuation report, in which the liability amounts for after-service health insurance, repatriation grants and annual leave had been determined by the actuary on the basis of certain census data submitted by UNU. As far as the annual leave liability is concerned, the following are extracts from the assumptions detailed in the actuarial valuation report:

(a) Annual leave benefits to provide staff members with periods of time off from work at full pay for personal reasons and for the purposes of health, rest and recreation. Upon separation from service, staff members who have accrued unused annual leave will be paid for each day of unused leave up to a maximum of 60 days. This benefit is referred to as "annual leave";

(b) Annual leave projection. The annual leave balance upon separation from service was projected to be equal to a staff member's current annual leave balance as at 1 January 2010 plus additional days of annual leave earned and not taken after 1 January 2010;

(c) The obligations were valued based on a discount rate of 6 per cent as at 31 December 2009.

37. UNU justified the change in the valuation method for annual leave by reference to IPSAS 25, although no mention of IPSAS is made in the financial statements. This change is considered by UNU as an enhancement of the financial information which, while compliant with the United Nations system accounting standards, is a step towards the full implementation of IPSAS. The Board took this into consideration and checked whether this new valuation method would be compliant with IPSAS once they are fully applicable to UNU.

38. An important distinction made by IPSAS 25 is that between short-term and long-term benefits. UNU has applied the actuarial valuation method to the leave liability based on the assumption that annual leave is a long-term benefit.

39. IPSAS 25 defines short-term employee benefits as "benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service". Furthermore IPSAS 25, paragraph 11, provides examples of items that are classified as short-term benefits and the examples include "short-term compensated absences (such as annual leave and paid sick leave) where the absences are expected to occur within twelve months after the period in which the employees render the related service". The fact that, as provided for by the staff rules of UNU, employees may accumulate unused leave days from one period to the next does not in itself make annual leave a long-term benefit. Nor does the fact that employees are entitled to a cash payment for unused leave days upon ceasing service. IPSAS 25 (paras. 14-19) provides for these cases, which are classified under short-term benefits.

40. In addition, IPSAS 25, paragraph 12, states that "accounting for short-term employee benefits is generally straightforward because no actuarial assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss. Moreover short-term employee benefit obligations are measured on an undiscounted basis".

41. Therefore, the Board is of the view that the annual leave liability of $0.78 million calculated through the actuarial valuation is not compliant with IPSAS 25 as it (a) includes future days to be accumulated and (b) is a discounted amount.

42. **UNU agreed with the Board's recommendation that it consider a revision of its policy for the valuation of leave liability in its implementation of the International Public Sector Accounting Standards.**

43. UNU commented that it would implement the revision of the policy in consultation with the Accounts Division of the United Nations and the IPSAS United Nations system-wide group.

*Discount rate*

44. In its previous valuation of the after-service health insurance liability, UNU had used a discount rate of 5.5 per cent. The valuation of the after-service health insurance liability as at 31 December 2009 relies on a discount rate of 6.0 per cent.

45. A discount rate is an interest rate used, as a common financial practice, to estimate the present value of an amount to be earned or lost at a future date. In other words, it represents the time value of money. As the after-service health insurance liability is composed of benefits that will be paid out to retired staff in the future,

these benefits are generally discounted so that the reporting entity takes the present value of the future benefits as an estimate for its liability.

46. The higher the discount rate, the lower will be the present value of future amounts while the lower the discount rate, the higher will be the present value of those amounts. Hence, all other things being equal, the increase in the discount rate used by UNU resulted in a lower after-service health insurance liability compared with the previous financial period. In this regard, note 5 to the financial statements indicates that a 1 per cent increase in the discount rate would result in an 18 per cent decrease in the after-service health insurance liability.

47. IPSAS 25, which serves as a reference for the actuarial methodology used for the valuation of the after-service health insurance liability in accordance with General Assembly resolution 61/264, does not prescribe any particular discount rate. It states, however, that

> The rate used to discount post-employment benefit obligations (both funded and unfunded) shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post-employment benefit obligations. (Para. 91)

It further specifies:

> An entity makes a judgment whether the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds, high quality corporate bonds or by another financial instrument. (Para. 94)

48. Like most of the methodological elements used for the actuarial valuation of the after-service health insurance liability, the discount rate was selected by the United Nations on behalf of all the entities that participate in the same health plans and for which the United Nations coordinated the valuation exercise.

49. According to the United Nations, the objective of selecting a discount rate when valuing end-of-service benefit liabilities is to measure the amount that, if invested in a portfolio of high-quality debt instruments, would provide the necessary future cash flow to pay the accrued benefits when due. The United Nations has historically established the discount rate assumption by referring to rates of return on available high-quality, fixed-income investments with cash flows that match the timing and amount of expected benefit payments. The rates of return used as a reference by the United Nations have been those of high-quality, long-term corporate bonds.

50. The Board acknowledges that this methodology is compliant with IPSAS 25, yet makes the following comments for consideration in the discussion on the funding of these liabilities:

(a) The increase in the discount rate does not reflect the trend in interest rates, which have generally tended to decrease over the recent period. The increase is due to the decision of the United Nations not to increase the discount rate for the previous valuation, although the application of the methodology described above would have resulted in an increase from 5.5 per cent to 6.5 per cent at that time. Considering the uncertainties concerning the prescriptions of IPSAS (IPSAS 25 had not yet been adopted), the United Nations conservatively decided to maintain the

5.5 per cent rate. Had it chosen to raise the rate to 6.5 per cent at the time, the same rate would have then decreased, instead of increasing, for the last valuation, which would have been consistent with the economic environment.

(b) The discount rate is but one example of the high level of uncertainty inherent in the actuarial valuation of a liability. While compliant with the accounting standards, this valuation is only an estimate of the actual value of the liability. Consequently, UNU may wish not to regard this as the absolute reference. Valuations based on standards other than accounting ones may yield different results. In this regard, the Board wishes to underline that a financial valuation of the funding needs (or "funding valuation") would result in a different value than the accounting valuation, which, by its nature, is generally more conservative.

## 5. Results-based budgeting

51. Results-based budgeting is a programme budgetary process in which (a) programme formulation revolves around a set of predetermined objectives and expected results (accomplishments); (b) expected results are derived from and are linked to outputs; and (c) actual performance is measured by objectives and by performance indicators. It uses a logical framework which is formulated to ensure that the expected results are specific, measurable, attainable, realistic and time-bound.

*Indicators of expected accomplishments*

52. At the UNU Institute of Advanced Studies (UNU-IAS), no specific indicators of expected accomplishments were identified when the budget for the biennium 2008-2009 was formulated. The absence of indicators would make it difficult to measure the extent to which the objectives and/or expected accomplishments have been achieved.

53. UNU commented that research and teaching activities, by their very nature, do not lend themselves to a results-based budgeting approach. UNU is developing its own programme/project management approach within its quality assurance framework which will address the issue of ensuring the quality of UNU academic activities.

*Budget estimates*

54. For the biennium 2008-2009, the approved travel budget for the UNU Centre was $946,000 while actual expenditure was $1.28 million, 35 per cent in excess of the approved budget. A similar observation was noted in acquisitions relating to the UNU Headquarters Building section, where actual expenditure was $99,700, 24 times in excess of the approved budget of $4,000.

55. UNU explained that at the total general expenditure level, the expenditure for both travel at the UNU Centre and acquisitions relating to the UNU Headquarters Building section Fund were within the approved budget. Significant variances between the approved budget and actual expenditure might be indicative of unrealistic estimates of the resource requirements.

56. UNU commented that budget controls are set at the total personnel costs and total general operating expenditure levels. The practice of setting the budget controls at the objects of expenditure level would not allow the project manager flexibility to allocate unutilized resources among different objects of expenditure.

## 6. Programme and project management

*Project management manual*

57. Individual programme managers were responsible for monitoring the implementation of the projects. However, there was no project management manual, and important files concerning the implementation of projects were not available.

58. The absence of a project management manual could result in a lack of clarity and consistency in project management, while the absence of important files concerning project implementation could weaken the monitoring of project implementation.

59. **UNU agreed with the Board's recommendation that it: (a) develop a project management manual to provide UNU staff with guidance, key principles and a framework for effective programme and project management; and (b) maintain essential files relating to project implementation.**

60. UNU indicated that it had established a core group to look at programme management and develop a new programme management manual, in view of the deployment of the Atlas system.

*Project proposals and workplans*

61. Regulation 11 of the Guidelines for the Preparation of Project Documents states that the project workplan should provide staff travel schedules and list the activities planned, together with a schedule for their implementation.

62. Some of the project workplans at the UNU Centre, UNU-IAS, the UNU Institute for Water, Health and Environment (UNU-INWEH) and the UNU World Institute for Development Economics Research (UNU-WIDER) did not clearly define (a) the activity schedule for partners; (b) the completion date for the outputs and projects; or (c) staff travel plans. It is important that the project workplans include the required information as to when project objectives and outputs may be achieved.

63. **UNU agreed with the Board's recommendation that it take measures to improve project management by including required information in the project workplans.**

*Programme expenditure report*

64. During the biennium 2008-2009, UNU replaced its Financial Budgetary and Personnel Management System with Atlas, a new enterprise resource planning system developed by UNDP. As at the time of audit, the query function of Atlas could not provide programme or project expenditure reports based on each cost centre. This resulted in laborious manual work to prepare the reports for cost centres.

65. **UNU agreed with the Board's recommendation that it take measures, in coordination with UNDP, to improve the query function of Atlas on the basis of a cost-effective analysis.**

*Language of dissemination for project outputs*

66. At the UNU Centre, the outputs generated from academic projects were mainly disseminated in English. Only a few books and proceedings of global seminars were disseminated in other languages. The limited use of languages could restrict the dissemination of project results.

67. **UNU agreed with the Board's recommendation that it make every effort to increase the use of languages other than English to disseminate project outputs.**

## 7. Procurement and contract management

*Requisitions*

68. Rule 8.2.1 (2) of the Procurement Manual (Rev. 05 of June 2008) states:

> Specifications should not refer to brand names, catalogue numbers or types of equipment from a particular manufacturer except when it has been decided that it is necessary to do so ... In these cases, the references should be followed by the words "or equivalent", together with the criteria for determining such equivalence.

69. At UNU-IAS, seven out of 20 sampled requisitions referred to the brand names and catalogue numbers or types of equipment without the words "or equivalent" and the criteria for determining such equivalence. Apart from conforming to the requirements of the Procurement Manual, the use of generic specifications in the requisitions would facilitate greater competition and hence the best value for money.

70. **UNU agreed with the Board's recommendation that it strictly comply with the requirements of rule 8.2.1 (2) of the Procurement Manual in relation to technical specifications.**

*Procurement plan*

71. Rule 8.1.4 (1) of the Procurement Manual states:

> The requisitioning offices and the Procurement Division of the United Nations or the chief procurement officer shall communicate, and to the extent feasible, meet on an annual basis to set up spending plans, including procurement plans, for the forthcoming budget period(s). The requisitioning office shall provide any proposed revisions to the plans at no more than three (in field missions and/or offices away from headquarters) or six-month (Headquarters) intervals, and the Procurement Division of the United Nations or the chief procurement officer shall advise what proportion of these plans can be achieved within the current procurement plan period. Such planning shall, to the extent possible be used to obtain economies of scale and other benefits to the Organization.

72. At the UNU Centre, the procurement plan was not updated in 2009, as 33 purchase orders valued at $1.72 million for the UNU Centre were not included in the plan. Failure to update the procurement plan could adversely affect the efficiency of procurement activities.

73. **UNU agreed with the Board's recommendation that it update procurement plans, as required by rule 8.1.4 (1) of the Procurement Manual.**

*Delegation of authority*

74. Sample tests carried out at the UNU Centre showed that seven purchase orders amounting to $1.45 million had been approved by two approving officers beyond their respective financial thresholds of $25,000 and $75,000. In addition, three purchase orders valued at $1.31 million did not have the signatures of the approving officers.

75. **UNU agreed with the Board's recommendation that it comply strictly with the Financial Regulations and Rules of the United Nations in relation to the delegation of procurement authority.**

*Contract performance reports*

76. Rule 7.11.2 (c) of the Procurement Manual stipulates that contract performance reports are required for contracts that exceed $200,000, or, once a year, for long-term contracts of two to three years' duration.

77. At the UNU Centre, only one yearly contract performance report was completed for a four-year contract for elevator maintenance. In addition, no performance report was conducted for another contract concerning building maintenance and operations with a contract value of $1.31 million per annum. The failure to prepare the contract performance reports could result in the continuing engagement of contractors who have not performed satisfactorily.

78. **UNU agreed with the Board's recommendation that it prepare contract performance reports on a regular basis, in compliance with rule 7.11.2 (1) (c) of the Procurement Manual.**

## 8. Non-expendable property management

79. Section 3.6 of administrative instruction ST/AI/2003/5 on property management and inventory control at United Nations Headquarters requires that a comprehensive physical inventory of supplies, equipment and other property of the United Nations be conducted every two years.

80. As shown in note 7 (a) to the financial statements, the value of non-expendable property as at 31 December 2009 amounted to $6.35 million. However, at the UNU Centre in Tokyo and Kuala Lumpur, no physical verification of non-expendable property valued at $2.83 million was conducted for the biennium 2008-2009. The absence of a physical verification of non-expendable property could adversely affect the quality of asset management. In addition, at the UNU Centre in Tokyo, there was no information about the location of 125 items valued at $0.38 million, representing 14 per cent of the total value of non-expendable property as at 31 December 2009.

81. **UNU agreed with the Board's recommendation that it conduct physical verification of non-expendable property regularly, in accordance with the requirements of section 3.6 of the administrative instruction on property management and inventory control.**

## 9. Consultants, experts and temporary assistance

82. Sample tests carried out showed that 17 personnel service agreement files and 19 consultant contract files contained no evidence that the recruitment processes had

been conducted in a competitive manner. This could have an adverse impact on the transparency of the recruitment process.

83. **UNU agreed with the Board's recommendation that it ensure that, in the selection of personnel, all the required procedures relating to the recruitment process are followed.**

### 10. Internal audit function/findings

84. UNU does not have its own internal audit service and relies on the Office of Internal Oversight Services (OIOS) to perform that service on its behalf. However, OIOS did not carry out any audit for the period under review because the funding agreement between UNU and OIOS for the internal audit service was pending.

85. The Board was informed that OIOS was proposing a change in the funding mechanism through the establishment of a P-4 post in Geneva, to be jointly funded by UNU and other United Nations training institutions. UNU was in discussion with OIOS on finalizing the funding arrangements.

86. **UNU agreed with the Board's recommendation that, in coordination with OIOS, it expedite the finalization of the funding agreement for the provision of internal audit services to UNU.**

### 11. Transportation and travel management

87. The UNU travel guidelines state that travel claims shall be deemed time-barred if received by the authorizing unit more than one month from the completion of travel. In such cases, no payment shall be made to the traveller. Of the sample of 30 travel expense claims examined at the UNU Centre, 10 or 33 per cent had been submitted beyond that limit of one month, with delays ranging 8 to 85 days.

88. **UNU agreed with the Board's recommendation that it ensure that all of the duty travel expense claims are submitted in a timely manner.**

## C. Disclosures by the management

### 1. Write-off of losses of cash, receivables and property

89. UNU informed the Board that, in accordance with financial rules 106.9 (a) and 106.8 (a), property losses of $1,955 had been written off during the biennium 2008-2009 ($2,243 in 2006-2007). In addition, receivables of $3,255 had been approved for write-off against funds covered by the UNU financial statements during the biennium 2008-2009 ($52,751 in 2006-2007).

### 2. Ex gratia payments

90. In relation to financial rule 105.12, UNU informed the Board that no ex gratia payment was made during the period under review.

### 3. Cases of fraud and presumptive fraud

91. UNU informed the Board that no cases of fraud or presumptive fraud had come to its notice during the biennium 2008-2009.

## D. Acknowledgement

92. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the United Nations University.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chairman of the United Nations Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor-General of China
(Lead Auditor)

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France

30 June 2010

# Annex

## Status of implementation of recommendations for the biennium ended 31 December 2007

| *Recommendation* | *Paragraph reference in report*[a] | *Financial period in which first made* | *Implemented* | *Under implementation* | *Not implemented* | *Overtaken by events* |
|---|---|---|---|---|---|---|
| Document, through the manual journal vouchers, the adjustments and reclassifications made in the course of preparing the final financial statements. | Para. 30 (a) | 2006-2007 | X | | | |
| Address the limitations of the Financial, Budgetary and Personnel Management System. | Para. 30 (b) | 2006-2007 | | | | X |
| Discontinue the practice of transferring cumulative surplus to income in the financial statements. | Para. 38 | 2006-2007 | X | | | |
| Specify the types of transactions that will be reflected in the cash pool accounts to distinguish these transactions from those pertaining to other bank accounts. | Para. 42 | 2006-2007 | X | | | |
| Record the receipt of cash only when the interest earned is credited to its cash pool account. | Para. 46 | 2006-2007 | X | | | |
| Record premiums, discounts, gains and losses on investments on a per-transaction basis in accordance with the United Nations system accounting standards. | Para. 49 | 2006-2007 | X | | | |
| Suggest enhancements to the new Atlas system in order to improve the management and recording of the investment accounts. | Para. 53 | 2006-2007 | | X | | |
| Close the accrued interest receivable which was included in the purchase price of a bond, when interest is received at interest payment date or when a bond is sold. | Para. 55 | 2006-2007 | X | | | |
| Provide the appropriate funding for the settlement of end-of-service liabilities. | Para. 59 | 2006-2007 | | | X | |
| Disclose all voluntary contributions in kind in the notes to the financial statements. | Para. 63 | 2006-2007 | X | | | |
| Tailor programme planning, budgeting, monitoring and evaluation in accordance with the results-based budgeting concepts. | Para. 75 (a) | 2006-2007 | | X | | |

| *Recommendation* | *Paragraph reference in report*[a] | *Financial period in which first made* | *Implemented* | *Under implementation* | *Not implemented* | *Overtaken by events* |
|---|---|---|---|---|---|---|
| Maintain a complete and updated central file for all projects pursuant to the guidelines issued by the Central Monitoring and Inspection Unit | Para. 75 (b) | 2006-2007 | | X | | |
| Ensure that the research and training centres generate more voluntary contributions from donors to guarantee the continuous implementation of projects. And ensure that the research and training centres closely monitor project expenditures to avoid the incurrence of project deficits. | Para. 96 | 2006-2007 | X | | | |
| Require programme officers/researchers to periodically assess the performance and extent of implementation of workplans to ensure the prompt submission of outputs for publication. | Para. 78 | 2006-2007 | X | | | |
| Formulate a policy on the reasonable allocation of the salaries of researchers in project costing. | Para. 84 | 2006-2007 | | X | | |
| Prepare a procurement plan pursuant to section 8.1 of the United Nations Procurement Manual. | Para. 101 | 2006-2007 | X | | | |
| Adhere to section 7.1 of the United Nations Procurement Manual providing for the maintenance of a vendor database; indicate in the contracts the delivery dates and the terms of payment; and obtain the signatures of vendors in all contracts to ensure that they conform to the terms and conditions stated therein. | Para. 104 | 2006-2007 | X | | | |
| Develop a plan detailing the various steps to be taken leading to the full implementation of IPSAS by 2010. | Para. 107 | 2006-2007 | | X | | |
| Request the Office of Internal Oversight Services to include in its plan for the biennium 2008-2009 the audit of the UNU Centre and selected research and training centres, in accordance with a risk-based approach. | Para. 110 | 2006-2007 | | | X | |
| **Total** | | **19** | **11** | **5** | **2** | **1** |
| **Percentage** | | **100** | **58** | **26** | **11** | **5** |

[a] A/63/5 (Vol. IV).

# Chapter III
## Certification of the financial statements

The financial statements of the United Nations University for the biennium ended 31 December 2009 have been prepared in accordance with financial rule 106.10.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarification of the financial activities undertaken by the University during the period covered by these statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations University, numbered I to IV, are correct.

(*Signed*) Jun **Yamazaki**
Assistant Secretary-General, Controller

29 March 2010

# Chapter IV
# Financial report for the biennium ended 31 December 2009

## A. Introduction

1. The General Assembly adopted the Charter of the United Nations University by resolution 3081 (XXVIII) on 6 December 1973 and decided that the University would have its headquarters in the Tokyo metropolitan area in Japan. Authority for the University's policies, work programmes and budget is vested in a Council of 28 members. The Rector, who normally serves for five years and is eligible for reappointment for one more term of five years, is the chief academic and administrative officer of the University.

2. The funds of the University are kept in a special account established by the Secretary-General of the United Nations. The Charter of the United Nations University provides that capital and recurrent costs of the University shall be met from voluntary contributions to the University or from income derived therefrom.

3. The University maintains an Endowment Fund and separate operating funds for its 11 research and training centres and its headquarters. The Endowment Fund of the United Nations University represents the working capital fund of the UNU Centre and certain research and training centres. The fund principal represents the contributions from the donors to the Centre or specified research and training centres and is invested to earn income. Income from investments in the Endowment Fund is used to support the activities of the University, which are accounted for in the respective operating funds. The operating funds also receive voluntary contributions directly from Governments, as well as from non-governmental sources, United Nations entities, universities and individuals.

## B. Financial position of the United Nations University

4. Total income of the Endowment Fund during the biennium 2008-2009 amounted to $43.7 million, compared with $88.7 million in the previous biennium. The breakdown is as follows:

| | *2009* | *2007* |
|---|---|---|
| | *(thousands of United States dollars)* | |
| Voluntary contributions | 8 000 | 8 639 |
| Interest income and gain on sale of securities | 27 497 | 51 707 |
| Miscellaneous income | 8 239 | 28 332 |
| **Total** | **43 736** | **88 678** |

5. During the biennium 2008-2009, voluntary contributions amounting to $8.0 million were received from the Government of Malaysia towards the Endowment Fund with respect to the UNU International Institute for Global Health (UNU-IIGH).

6. The decrease in interest income is due to reduced gains on the sale of investments of $8.6 million in the current biennium, compared with $31.8 million in the previous biennium.

7. Miscellaneous income for the biennium represents net gains on the revaluation of foreign currencies.

8. Total income for the operating funds amounted to $107.8 million in the current biennium, compared with $79.5 million in the previous biennium, an increase of 35.6 per cent, mainly due to the increase in voluntary contributions and transfers from the Endowment Fund. The breakdown is as follows:

| | *2009* | *2007* |
|---|---|---|
| | *(thousands of United States dollars)* | |
| Voluntary contributions | 65 993 | 44 539 |
| Interest income | 760 | 1 561 |
| Income for services rendered | 4 080 | 2 877 |
| Other/miscellaneous income | 3 580 | 2 674 |
| Transfers from the Endowment Fund[a] | 33 383 | 27 897 |
| **Total** | **107 796** | **79 548** |

[a] During the biennium 2008-2009, in accordance with a decision of the UNU Council, an amount of $33.4 million was transferred from the Endowment Fund to the operating funds.

9. As shown in statement I, total expenditure for the University amounted to $156.4 million for the biennium, compared with $79.4 million in the previous biennium, an increase of $77.0 million, or 96.9 per cent, due to the increase in operating expenses, which includes losses on the sale of securities. Such losses increased by $55.0 million compared with the biennium 2006-2007. Expenditure for research and training networks and for dissemination also increased, reflecting increased activities. The breakdown of expenditure is as follows:

| *Major object of expenditure* | *2009* | *2007* |
|---|---|---|
| | *(thousands of United States dollars)* | |
| Staff and other personnel costs[a] | 34 845 | 34 722 |
| Travel | 2 635 | 2 177 |
| Contractual services | 2 735 | 1 016 |
| Operating expenses[b] | 69 230 | 10 115 |
| Acquisitions[c] | 746 | 965 |
| Research and training networks, and dissemination | 46 210 | 30 440 |
| **Total** | **156 401** | **79 435** |

[a] Including costs of programme staff and consultants.
[b] Including UNU headquarters building maintenance costs.
[c] Including costs of library books and supplies, and costs of programme equipment.

10. Statement II shows that total assets amounted to $344.7 million and total liabilities amounted to $19.8 million. In addition to cash and term deposits of $12.5 million, the Endowment Fund had short-term investments of $12.1 million and long-term investments of $262.0 million, the market values of which were $12.2 million and $278.9 million, respectively. In addition, the operating funds held cash and investments of $42.8 million as at 31 December 2009, which included their share of the United Nations offices away from Headquarters cash pools. The assets also included $4.2 million representing pledged contributions receivable, the details of which are given in schedule 2.1.

11. The University's accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits and unused vacation days. Previously, the accrued liability recorded for after-service health insurance was based on an actuarial valuation, whereas the liabilities for repatriation benefits and unused vacation days were recorded on the basis of current costs without discounting or other adjustments. With effect from the biennium ended 31 December 2009, the liabilities of all three groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis. The University's accrued liabilities for after-service health insurance, repatriation benefits and unused vacation days as at 31 December 2009 were estimated at $3.6 million, $1.3 million and $0.8 million, respectively.

12. During the current biennium, the fund balance of the Endowment Fund declined by $46.0 million to $290.6 million as at 31 December 2009, mainly owing to losses on the sale of investments and reduced exchange gains. The overall fund balance of the operating funds increased by $12.0 million to $38.4 million as at 31 December 2009.

# Annex

## Supplementary information

1. The present annex includes supplementary information that the Secretary-General is required to report.

### Write-off of losses of cash and receivables

2. During the biennium 2008-2009, the write-off of receivables amounting to $3,255 was approved under financial rule 106.8.

### Write-off of losses of property

3. During the biennium 2008-2009, the write-off of losses of property amounting to $1,955 was approved under financial rule 106.9.

### Ex gratia payments

4. There were no ex gratia payments during the biennium 2008-2009.

# Chapter V

## Financial statements for the biennium ended 31 December 2009

## Statement I

### United Nations University[a]
### Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

| | *UNU Centre Operating Fund* | *UNU Headquarters Building Operating Fund* | *UNU-WIDER Operating Fund* | *UNU-MERIT Operating Fund* | *UNU-IIST Operating Fund* | *UNU-INRA Operating Fund* | *UNU-BIOLAC Operating Fund* | *UNU-IAS Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | |
| Voluntary contributions | 19 275 | 2 090 | 3 397 | 7 977 | 1 588 | 131 | — | 14 098 |
| Interest income | 160 | — | 236 | 278 | 24 | — | — | — |
| Income for services rendered | 215 | 3 523 | 17 | 2 | — | — | — | — |
| Other/miscellaneous income: | — | — | — | — | — | — | — | — |
| Sales income and royalties from publications | 394 | — | 25 | — | — | — | — | — |
| Miscellaneous income | 1 500 | 471 | 55 | 105 | 68 | 12 | 2 | 31 |
| Transfers from the Endowment Fund[b] | 18 598 | — | 5 243 | 2 065 | 3 938 | 1 597 | 982 | — |
| **Total income** | **40 142** | **6 084** | **8 973** | **10 427** | **5 618** | **1 740** | **984** | **14 129** |
| **Expenditure** | | | | | | | | |
| Staff and other personnel costs | 16 080 | 720 | 4 370 | 2 158 | 3 108 | 1 008 | — | 1 739 |
| Travel | 1 281 | 45 | 123 | 101 | 107 | 172 | — | 165 |
| Contractual services | 1 630 | 40 | 92 | 88 | 61 | 90 | — | 70 |
| Operating expenses | 2 558 | 4 901 | 603 | 695 | 449 | 102 | — | 1 108 |
| Acquisitions | 277 | 100 | 28 | 48 | 27 | 34 | — | 41 |
| Research and training networks and dissemination | 15 821 | — | 2 795 | 4 251 | 2 365 | 216 | 761 | 10 261 |
| Transfers to operating funds[b] | — | — | — | — | — | — | — | — |
| **Total expenditure** | **37 647** | **5 806** | **8 011** | **7 341** | **6 117** | **1 622** | **761** | **13 384** |
| **Excess (shortfall) of income over expenditure[c]** | 2 495 | 278 | 962 | 3 086 | (499) | 118 | 223 | 745 |
| Non-budgeted accrued income (expenses) for end-of-service and post-retirement benefits | — | — | — | — | — | — | — | — |
| Prior-period adjustments | — | — | — | (3) | — | — | — | — |

| | *UNU Centre Operating Fund* | *UNU Headquarters Building Operating Fund* | *UNU-WIDER Operating Fund* | *UNU-MERIT Operating Fund* | *UNU-IIST Operating Fund* | *UNU-INRA Operating Fund* | *UNU-BIOLAC Operating Fund* | *UNU-IAS Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| **Net excess (shortfall) of income over expenditure** | **2 495** | **278** | **962** | **3 083** | **(499)** | **118** | **223** | **745** |
| Cancellation of prior-period obligations | 935 | 24 | 305 | 97 | 563 | 32 | 4 | 235 |
| Transfers (to) from other funds | 3 440 | — | — | — | — | — | — | — |
| Other adjustments to reserves and fund balances | — | — | — | — | — | — | — | — |
| Reserves and fund balances, beginning of period | 6 794 | 317 | 4 039 | 4 042 | 875 | 361 | 18 | 1 644 |
| **Reserves and fund balances, end of period** | **13 664** | **619** | **5 306** | **7 222** | **939** | **511** | **245** | **2 624** |

**Statement I (continued)**

| | *UNU-ILI Operating Fund* | *UNU-INWEH Operating Fund* | *UNU-CRIS Operating Fund* | *UNU-EHS Operating Fund* | *UNU-IIGH Operating Fund* | *UNU-JAF Operating Fund* | *UNU-ICDF*[a] *Operating Fund* | *UNU-RCF*[a] *Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | |
| Voluntary contributions | 300 | 6 856 | 596 | 7 590 | 2 095 | — | — | — |
| Interest income | — | 62 | — | — | — | — | — | — |
| Income for services rendered | 300 | 23 | — | — | — | — | — | — |
| Other/miscellaneous income: | — | — | — | — | — | — | — | — |
| Sales income and royalties from publications | — | — | — | — | — | — | — | — |
| Miscellaneous income | 182 | 638 | — | 97 | — | — | — | — |
| Transfers from the Endowment Fund[b] | 174 | — | — | 305 | 481 | — | — | — |
| **Total income** | **956** | **7 579** | **596** | **7 992** | **2 576** | **—** | **—** | **—** |
| **Expenditure** | | | | | | | | |
| Staff and other personnel costs | 218 | 1 942 | 586 | 1 640 | 756 | — | — | — |
| Travel | 97 | 230 | 10 | 61 | 86 | 75 | — | — |
| Contractual services | 2 | 47 | — | 115 | 25 | 56 | — | — |
| Operating expenses | 350 | 986 | — | 634 | 308 | — | — | — |
| Acquisitions | 9 | 106 | — | — | 76 | — | — | — |
| Research and training networks, and dissemination | 161 | 4 182 | — | 4 682 | 517 | — | — | — |
| Transfers to operating funds[b] | — | — | — | — | — | — | — | — |
| **Total expenditure** | **837** | **7 493** | **596** | **7 132** | **1 768** | **131** | **—** | **—** |
| **Excess (shortfall) of income over expenditure**[c] | 119 | 86 | — | 860 | 808 | (131) | — | — |
| Non-budgeted accrued income (expenses) for end-of-service and post-retirement benefits | — | — | — | — | — | — | — | — |
| Prior-period adjustments | — | — | — | — | — | — | — | — |
| **Net excess (shortfall) of income over expenditure** | **119** | **86** | **—** | **860** | **808** | **(131)** | **—** | **—** |
| Cancellation of prior-period obligations | 65 | 323 | 2 | 252 | 58 | — | — | — |
| Transfers (to) from other funds | — | — | — | — | — | — | (940) | (2 500) |
| Other adjustments to reserves and fund balances | — | — | — | — | — | — | — | — |
| Reserves and fund balances, beginning of period | (140) | 790 | 28 | 552 | 1 709 | 1 927 | 940 | 2 500 |
| **Reserves and fund balances, end of period** | **44** | **1 199** | **30** | **1 664** | **2 575** | **1 796** | **—** | **—** |

## Statement I (continued)

| | *Total operating funds* | *Endowment Fund* | *Trust Fund* | *End-of-service and post-retirement*[f] | *All funds elimination* | *Total 2009* | *Total 2007*[a] |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Voluntary contributions | 65 993 | 8 000 | 1 624 | — | — | 75 617[g] | 54 220 |
| Interest income | 760 | 27 497[h] | — | — | — | 28 257 | 53 268 |
| Income for services rendered | 4 080 | — | — | — | — | 4 080 | 2 877 |
| Other/miscellaneous income: | | | | | | | |
| Sales income and royalties from publications | 419 | — | — | — | — | 419 | 467 |
| Miscellaneous income | 3 161 | 8 239[i] | 362 | — | — | 11 762 | 30 582 |
| Transfers from the Endowment Fund[b] | 33 383 | — | — | — | (33 383) | — | — |
| **Total income** | **107 796** | **43 736** | **1 986** | **—** | **(33 383)** | **120 135** | **141 414** |
| **Expenditure** | | | | | | | |
| Staff and other personnel costs | 34 325 | — | 520 | — | — | 34 845 | 34 722 |
| Travel | 2 553 | — | 82 | — | — | 2 635 | 2 177 |
| Contractual services | 2 316 | — | 419 | — | — | 2 735 | 1 016 |
| Operating expenses | 12 694 | 56 368[j] | 168 | — | — | 69 230 | 10 115 |
| Acquisitions | 746 | — | — | — | — | 746 | 965 |
| Research and training networks and dissemination | 46 012 | — | 198 | — | — | 46 210 | 30 440 |
| Transfers to operating funds[b] | — | 33 383 | — | — | (33 383) | — | — |
| **Total expenditure** | **98 646** | **89 751** | **1 387** | **—** | **(33 383)** | **156 401** | **79 435** |
| **Excess (shortfall) of income over expenditure**[c] | **9 150** | **(46 015)** | **599** | **—** | **—** | **(36 266)** | **61 979** |
| Non-budgeted accrued income (expenses) for end-of-service and post-retirement benefits[k] | — | — | — | 988 | — | 988 | (723) |
| Prior-period adjustments | (3) | — | — | — | — | (3) | (217) |
| **Net excess (shortfall) of income over expenditure** | **9 147** | **(46 015)** | **599** | **988** | **—** | **(35 281)** | **61 039** |
| Cancellation of prior-period obligations | 2 895 | — | — | — | — | 2 895 | 2 701 |
| Transfers (to) from other funds | — | — | — | — | — | — | — |
| Other adjustments to reserves and fund balances | — | — | — | — | — | — | (5 970) |

| | *Total operating funds* | *Endowment Fund* | *Trust Fund* | *End-of-service and post-retirement*[e] | *All funds elimination* | *Total 2009* | *Total 2007*[f] |
|---|---|---|---|---|---|---|---|
| Reserves and fund balances, beginning of period | 26 396 | 336 644 | 965 | (6 693) | — | 357 312 | 299 542 |
| **Reserves and fund balances, end of period** | **38 438** | **290 629** | **1 564** | **(5 705)** | **—** | **324 926** | **357 312** |

[a] See notes 2, 3 and 4.
[b] Represents transfers from the Endowment Fund to the respective operating funds.
[c] Shortfall of income over expenditure for UNU-IIST and UNU-JAF is funded by utilization of the cumulative surplus as authorized by the Governing Council, amounting to $688,000 and $209,000 respectively.
[d] The UNU-ICDF and UNU-RCF funds were closed as at 31 December 2009, as authorized by the Governing Council.
[e] See note 5.
[f] Comparative figures have been restated to conform to the current presentation.
[g] Represents voluntary contributions from Governments of $56,602,298 and other voluntary contributions in the amount of $19,014,799.
[h] Represents interest income of $18,862,734 and gain on the sale of securities of $8,634,570.
[i] Represents net gain on foreign exchange revaluation of $8,239,100.
[j] Represents loss on the sale of securities of $54,949,805 and investment management fees of $1,417,964.
[k] Represents net decrease in end-of-service and post-retirement benefits during the biennium 2008-2009.

The accompanying notes are an integral part of the financial statements.

## Statement II

## United Nations University[a]
## Statement of assets, liabilities and reserves and fund balances as at 31 December 2009

(Thousands of United States dollars)

| | *UNU Centre Operating Fund* | *UNU Headquarters Building Operating Fund* | *UNU-WIDER Operating Fund* | *UNU-MERIT Operating Fund* | *UNU-IIST Operating Fund* | *UNU-INRA Operating Fund* | *UNU-BIOLAC Operating Fund* | *UNU-IAS Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and term deposits | 12 837 | — | 1 185 | 849 | 1 583 | — | — | — |
| Short-term investments | — | — | — | — | — | — | — | — |
| Long-term investments | — | — | — | — | — | — | — | — |
| Offices away from Headquarters cash pools | 854 | — | 6 006 | 7 103 | 523 | 5 | — | — |
| Voluntary contributions receivable[b] | — | — | — | 1 | — | — | — | — |
| Inter-fund balances receivable | — | — | — | — | — | 1 303 | 1 055 | — |
| Other accounts receivable | 909 | — | 53 | 297 | 399 | 14 | 3 | 466 |
| Deferred charges and other assets[c] | 4 152 | 3 543 | — | 431 | 435 | 52 | — | 4 790 |
| **Total assets** | **18 752** | **3 543** | **7 244** | **8 681** | **2 940** | **1 374** | **1 058** | **5 256** |
| **Liabilities** | | | | | | | | |
| Unliquidated obligations — current period | 1 648 | 202 | 318 | 804 | 295 | 159 | 64 | 1 142 |
| Unliquidated obligations — future periods[c] | 69 | 2 563 | — | 386 | 397 | 52 | — | 1 162 |
| Inter-fund balances payable | 2 205 | — | 255 | 81 | — | — | — | — |
| Other accounts payable | 1 166 | 159 | 129 | 115 | 215 | 37 | 4 | 328 |
| Other liabilities[d] | — | — | 1 236 | 73 | 1 094 | 615 | 745 | — |
| End-of-service and post-retirement liabilities[e] | — | — | — | — | — | — | — | — |
| **Total liabilities** | **5 088** | **2 924** | **1 938** | **1 459** | **2 001** | **863** | **813** | **2 632** |
| **Reserves and fund balances** | | | | | | | | |
| Fund principal | — | — | — | — | — | — | — | — |
| Balances related to projects funded by donors | 3 735 | — | 229 | 1 056 | — | 51 | — | 581 |

| | *UNU Centre Operating Fund* | *UNU Headquarters Building Operating Fund* | *UNU-WIDER Operating Fund* | *UNU-MERIT Operating Fund* | *UNU-IIST Operating Fund* | *UNU-INRA Operating Fund* | *UNU-BIOLAC Operating Fund* | *UNU-IAS Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| Cumulative surplus (deficit) | 9 929 | 619 | 5 077 | 6 166 | 939 | 460 | 245 | 2 043 |
| **Total reserves and fund balances** | **13 664** | **619** | **5 306** | **7 222** | **939** | **511** | **245** | **2 624** |
| **Total liabilities, reserves and fund balances** | **18 752** | **3 543** | **7 244** | **8 681** | **2 940** | **1 374** | **1 058** | **5 256** |

## Statement II (continued)

| | *UNU-ILI Operating Fund* | *UNU-INWEH Operating Fund* | *UNU-CRIS Operating Fund* | *UNU-EHS Operating Fund* | *UNU-IIGH Operating Fund* | *UNU-JAF Operating Fund* | *UNU-ICDF[a] Operating Fund* | *UNU-RCF[a] Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and term deposits | 5 | 2 559 | — | 9 254 | — | — | — | — |
| Short-term investments | — | — | — | — | — | — | — | — |
| Long-term investments | — | — | — | — | — | — | — | — |
| Offices away from Headquarters cash pools | — | — | — | — | — | — | — | — |
| Voluntary contributions receivable | — | — | 331 | — | — | — | — | — |
| Inter-fund balances receivable | 45 | — | — | — | 32 | 1 796 | — | — |
| Other accounts receivable | 98 | 31 | 2 | 67 | 14 | — | — | — |
| Deferred charges and other assets[c] | 14 | 285 | — | 17 | 2 760 | — | — | — |
| **Total assets** | **162** | **2 875** | **333** | **9 338** | **2 806** | **1 796** | **—** | **—** |
| **Liabilities** | | | | | | | | |
| Unliquidated obligations — current period | — | 413 | 1 | 139 | 136 | — | — | — |
| Unliquidated obligations — future periods[c] | — | 282 | — | — | 54 | — | — | — |
| Inter-fund balances payable | — | — | — | — | — | — | — | — |
| Other accounts payable | 27 | 33 | 7 | 42 | 41 | — | — | — |
| Other liabilities[d] | 91 | 948 | 295 | 7 493 | — | — | — | — |
| End-of-service and post-retirement liabilities[e] | — | — | — | — | — | — | — | — |
| **Total liabilities** | **118** | **1 676** | **303** | **7 674** | **231** | **—** | **—** | **—** |
| **Reserves and fund balances** | | | | | | | | |
| Fund principal | — | — | — | — | — | — | — | — |
| Balances related to projects funded by donors | — | 56 | — | — | — | — | — | — |
| Cumulative surplus (deficit) | 44 | 1 143 | 30 | 1 664 | 2 575 | 1 796 | — | — |
| **Total reserves and fund balances** | **44** | **1 199** | **30** | **1 664** | **2 575** | **1 796** | **—** | **—** |
| **Total liabilities, reserves and fund balances** | **162** | **2 875** | **333** | **9 338** | **2 806** | **1 796** | **—** | **—** |

## Statement II (continued)

| | *Total operating funds* | *Endowment Fund* | *Trust Fund* | *End-of-service and post-retirement liabilities*[g] | *All funds elimination* | *Total 2009* | *Total 2007*[h] |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and term deposits | 28 272 | 12 509 | 775 | — | — | 41 556 | 35 902 |
| Short-term investments | — | 12 131 | — | — | — | 12 131 | 8 785 |
| Long-term investments | — | 261 960[i] | — | — | — | 261 960 | 312 346 |
| Offices away from Headquarters cash pools | 14 491[b] | — | — | — | — | 14 491 | 8 759 |
| Voluntary contributions receivable | 332 | 3 900 | — | — | — | 4 232 | 4 956 |
| Inter-fund balances receivable | 4 231 | 4 883 | — | — | (9 114) | — | — |
| Other accounts receivable | 2 353 | 1 931 | 909 | — | — | 5 193 | 5 270 |
| Deferred charges and other assets[c] | 16 479 | — | 1 284 | — | (12 590) | 5 173 | 298 |
| **Total assets** | **66 158** | **297 314** | **2 968** | — | **(21 704)** | **344 736** | **376 316** |
| **Liabilities** | | | | | | | |
| Unliquidated obligations — current period | 5 321 | — | 96 | — | — | 5 417 | 8 718 |
| Unliquidated obligations — future periods[c] | 4 965 | — | — | — | — | 4 965 | — |
| Inter-fund balances payable | 2 541 | 6 573 | — | — | (9 114) | — | — |
| Other accounts payable | 2 303 | 112 | 1 308 | — | — | 3 723 | 3 593 |
| Other liabilities[d] | 12 590 | — | — | — | (12 590) | — | — |
| End-of-service and post-retirement liabilities[e] | — | — | — | 5 705 | — | 5 705 | 6 693 |
| **Total liabilities** | **27 720** | **6 685** | **1 404** | **5 705** | **(21 704)** | **19 810** | **19 004** |
| **Reserves and fund balances** | | | | | | | |
| Fund principal | — | 245 770 | — | — | — | 245 770 | 237 770 |
| Balances related to projects funded by donors | 5 708 | — | — | — | — | 5 708 | 8 130 |

| | *Total operating funds* | *Endowment Fund* | *Trust Fund* | *End-of-service and post-retirement liabilities*[g] | *All funds elimination* | *Total 2009* | *Total 2007*[h] |
|---|---|---|---|---|---|---|---|
| Cumulative surplus (deficit) | 32 730 | 44 859 | 1 564 | (5 705) | — | 73 448 | 111 412 |
| **Total reserves and fund balances** | **38 438** | **290 629** | **1 564** | **(5 705)** | — | **324 926** | **357 312** |
| **Total liabilities, reserves and fund balances** | **66 158** | **297 314** | **2 968** | — | **(21 704)** | **344 736** | **376 316** |

[a] See notes 2, 3 and 4.
[b] Represents share of United Nations offices away from Headquarters cash pools and comprises cash and term deposits of $6,593,953, short-term investments of $3,073,707 (market value $3,090,558), long-term investments of $4,758,529 (market value $4,821,433) and accrued interest receivable of $64,926.
[c] Includes commitments in respect of future years of $4,965,162.
[d] Represents inter-office transactions pending processing between UNU Centre and research and training centres.
[e] Represents accrued liabilities for after-service health insurance costs of $3,614,000, for unused vacation days of $781,000 and for repatriation benefits of $1,310,000 as at 31 December 2009. See note 5.
[f] The UNU-ICDF and UNU-RCF funds were closed as at 31 December 2009, as authorized by the Governing Council.
[g] See note 5.
[h] Comparative figures have been restated to conform to the current presentation.
[i] Represents investments in bonds and equities, the market value of which was $278,890,018.

The accompanying notes are an integral part of the financial statements.

## Schedule 2.1

## United Nations University
## Combined status of pledges unpaid as at 31 December 2009

(Thousands of United States dollars)

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| **UNU Centre** | | | | | |
| Government donations: | | | | | |
| Austria | — | 22 | 22 | — | — |
| China | — | 20 | 20 | — | — |
| European Union (Commission) | — | 132 | 132 | — | — |
| Finland | — | 5 | 5 | — | — |
| France | — | 155 | 155 | — | — |
| Germany | — | 6 446 | 6 446 | — | — |
| Japan | — | 7 164 | 7 164 | — | — |
| Norway | — | 76 | 76 | — | — |
| Netherlands | — | 27 | 27 | — | — |
| Spain | — | 71 | 71 | — | — |
| Switzerland | — | 40 | 40 | — | — |
| United Kingdom of Great Britain and Northern Ireland | — | 3 | 3 | — | — |
| **Subtotal** | **—** | **14 163** | **14 163** | **—** | **—** |
| Other donations: | | | | | |
| American Geophysical Union | — | 31 | 31 | — | — |
| Asia Pacific Network | — | 49 | 49 | — | — |
| Banco Do Brasil S.A. | — | 100 | 100 | — | — |
| Centre for International Governance Innovation | — | 30 | 30 | — | — |
| Chiho Tiande HK | — | 33 | 33 | — | — |
| Cisco System Inc. | — | 27 | 27 | — | — |
| Dell Corporation Ltd (Ireland) | — | 28 | 28 | — | — |
| Département féderal des affaires étrangeres | — | 27 | 27 | — | — |
| Deutscher Akademischer Austausch Dienst | — | 48 | 48 | — | — |

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| Deut Luft Raumf | — | 172 | 172 | — | — |
| Deutsches Zentrum fuer Luft-und Raumfahrt e.v. (DLR) | — | 32 | 32 | — | — |
| Diet Members' Discussion Group for United Nations University | — | 19 | 19 | — | |
| Ehime University | — | 52 | 52 | — | — |
| El Colegio De México | — | 12 | 12 | — | — |
| Ericsson | — | 29 | 29 | — | — |
| Hewlett Packard GmbH | — | 29 | 29 | — | — |
| International Human Dimensions Programme open meeting | — | 741 | 741 | — | — |
| Japan Foundation for the United Nations University | — | 329 | 329 | — | — |
| Kanagawa International Foundation | — | 82 | 82 | — | — |
| American Geophysical Union | — | — | — | — | — |
| **Subtotal** | — | **1 873** | **1 873** | — | — |
| Kirin Brewery Company Ltd. | — | 718 | 718 | — | — |
| Microsoft Corporation | — | 43 | 43 | — | — |
| Mitsui & Co. Ltd | — | 260 | 260 | — | — |
| National Science Foundation | — | 204 | 204 | — | — |
| Nokia Oyj | — | 30 | 30 | — | — |
| Okinawa Prefectural Government | — | 17 | 17 | — | — |
| Public Advice International Foundation | — | 22 | 22 | — | — |
| Shimadzu Corporation | — | 162 | 162 | — | — |
| Swiss Federal Laboratories for Materials Testing and Research | — | 34 | 34 | — | — |
| The Christensen Fund | — | 50 | 50 | — | — |
| The Sumitomo Foundation | — | 15 | 15 | — | — |
| Tokyo Club | — | 19 | 19 | — | — |
| Turkish Mission | — | 95 | 95 | — | — |
| United Nations Environment Programme | — | 461 | 461 | — | — |

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| United Nations University International Course | — | 195 | 195 | — | — |
| United Nations Educational, Scientific and Cultural Organization | — | 188 | 188 | — | — |
| University of Bonn — Stockholm Resilience Centre | — | 28 | 28 | — | — |
| University Corporation for Atmospheric Research | — | 20 | 20 | — | — |
| Vereniging NVMP | — | 87 | 87 | — | — |
| War on Want | — | 36 | 36 | — | — |
| World Health Organization | — | 36 | 36 | — | — |
| World Food Programme | — | 47 | 47 | — | — |
| Zero Emissions Forum Secretariat | — | 96 | 96 | — | — |
| Others | — | 375 | 375 | — | — |
| **Subtotal** | **—** | **3 239** | **3 239** | **—** | **—** |
| **UNU Centre total** | **—** | **19 275** | **19 275** | **—** | **—** |
| **UNU Headquarters Building** | | | | | |
| Government donations: | | | | | |
| Japan | — | 2 090 | 2 090 | — | — |
| **UNU Headquarters Building total** | **—** | **2 090** | **2 090** | **—** | **—** |
| **UNU-WIDER** | | | | | |
| Government donations: | | | | | |
| Denmark | — | 605 | 605 | — | — |
| Finland | — | 772 | 772 | — | — |
| Sweden | — | 1 330 | 1 330 | — | — |
| United Kingdom | — | 690 | 690 | — | — |
| **UNU-WIDER total** | **—** | **3 397** | **3 397** | **—** | **—** |

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| **UNU-MERIT** | | | | | |
| Government donations: | | | | | |
| Netherlands | — | 6 806 | 6 806 | — | — |
| **Subtotal** | **—** | **6 806** | **6 806** | **—** | **—** |
| Other donations: | | | | | |
| Alliance for a Green Revolution in Africa (AGRA) | — | 16 | 16 | — | — |
| Columbia University | — | 20 | 20 | — | — |
| Department for International Development | — | 89 | 89 | — | — |
| Edinburgh Research and Innovation Ltd. | — | 151 | 151 | — | — |
| Food and Agriculture Organization of the United Nations | — | 23 | 23 | — | — |
| German Technical Cooperation (GTZ) | — | 14 | 14 | — | — |
| HTSPE Ltd. UK | — | 49 | 49 | — | — |
| International Development Research Centre | — | 199 | 199 | — | — |
| International Institute for Applied Systems Analysis | — | 29 | 29 | — | — |
| International Livestock Research Institute | — | 355 | 355 | — | — |
| South African National Energy Research Institute | — | 21 | 21 | — | — |
| Telecom Paris Tech | — | 99 | 99 | — | — |
| UN-Habitat | — | 11 | 11 | — | — |
| United Nations Industrial Development Organization | — | 53 | 53 | — | — |
| Verket för Innovations system | — | 36 | 36 | — | — |
| Others | — | 8 | 8 | — | — |
| **Subtotal** | **—** | **1 171** | **1 171** | **—** | **—** |
| **UNU-MERIT total** | **—** | **7 977** | **7 977** | **—** | **—** |

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| **UNU-IIST** | | | | | |
| Government donations: | | | | | |
| Macau, China | — | 1 467 | 1 467 | — | — |
| **Subtotal** | **—** | **1 467** | **1 467** | **—** | **—** |
| Other donations: | | | | | |
| Microsoft Corporation | — | 30 | 30 | — | — |
| Macao Post | — | 18 | 18 | — | — |
| Emerging Markets Group S.A. | — | 72 | 72 | — | — |
| Others | — | 1 | 1 | — | — |
| **Subtotal** | **—** | **121** | **121** | **—** | **—** |
| **UNU-IIST total** | **—** | **1 588** | **1 588** | **—** | **—** |
| **UNU-INRA** | | | | | |
| Government donations: | | | | | |
| Ghana | — | — | — | — | — |
| **Subtotal** | **—** | **—** | **—** | **—** | **—** |
| Other donations: | | | | | |
| International Crops Research Institute for the Semi-Ari Tropics | — | 10 | 10 | — | — |
| University of Bonn | — | 90 | 90 | — | — |
| United Nations Trust Fund for Human Security | — | 32 | 32 | — | — |
| **UNU-INRA total** | **—** | **131** | **131** | **—** | **—** |
| **UNU-IAS** | | | | | |
| Government donations: | | | | | |
| Australia | — | 25 | 25 | — | — |
| Belgium | — | 29 | 29 | — | — |
| Finland | — | 26 | 26 | — | — |
| Japan | — | 8 970 | 8 970 | — | — |

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| Norway | — | 337 | 337 | — | — |
| **Subtotal** | **—** | **9 386** | **9 386** | **—** | **—** |
| Other donations: | | | | | |
| BioIndustry Association | — | 33 | 33 | — | — |
| Charles Darwin University | — | 1 255 | 1 255 | — | — |
| Federal Public Service Public Health, Food Chain Security and Environment | — | 13 | 13 | — | — |
| Food and Agriculture Organization of the United Nations | — | 22 | 22 | — | — |
| Fondation Prince Albert II de Monaco | — | 30 | 30 | — | — |
| Institute for Global Environmental Strategies | — | 20 | 20 | — | — |
| Ishikawa Prefecture | — | 340 | 340 | — | — |
| JICA, Shuppankai | — | 32 | 32 | — | — |
| Kanazawa City | — | 401 | 401 | — | — |
| Meridian Institute | — | 30 | 30 | — | — |
| National Parks Association | — | 44 | 44 | — | — |
| Netherlands International Polar Year Committee | — | 10 | 10 | — | — |
| Nissan Motor Co., Ltd. | — | 36 | 36 | — | — |
| SwedBio (Swedish International Biodiversity Programme) | — | 98 | 98 | — | — |
| Tebtebba Foundation | — | 10 | 10 | — | — |
| The Christensen Fund | — | 1 452 | 1 452 | — | — |
| The David and Lucile Packard Foundation | — | 250 | 250 | — | — |
| United Nations Environment Programme | — | 585 | 585 | — | — |
| University of Tokyo | — | 20 | 20 | — | — |
| United Nations Office for Project Services | — | 29 | 29 | — | — |
| Forest Culture Association | — | 2 | 2 | — | — |
| **Subtotal** | **—** | **4 711** | **4 711** | **—** | **—** |
| **UNU-IAS total** | **—** | **14 098** | **14 098** | **—** | **—** |

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| **UNU-ILI** | | | | | |
| Government donations: | | | | | |
| Jordan | 250 | 250 | 500 | — | — |
| **Subtotal** | **250** | **250** | **500** | — | — |
| Other donations: | | | | | |
| Global Majority | — | 10 | 10 | — | — |
| Henrich Boll Foundation | — | 25 | 25 | — | — |
| Others | — | 16 | 16 | — | — |
| **Subtotal** | — | **50** | **50** | — | — |
| **UNU-ILI total** | **250** | **300** | **550** | — | — |
| **UNU-INWEH** | | | | | |
| Government donations: | | | | | |
| Canada | — | 3 032 | 3 032 | — | — |
| Jordan | — | 81 | 81 | — | — |
| **Subtotal** | — | **3 113** | **3 113** | — | — |
| Other donations: | | | | | |
| Arab Gulf Programme for Development | — | 170 | 170 | — | — |
| Canadian Institute of Health Research | — | 12 | 12 | — | — |
| Canadian Water Network | — | 18 | 18 | — | — |
| Nakheel Corporation | — | 1 305 | 1 305 | — | — |
| United Nations Environment Programme | — | 501 | 501 | — | — |
| United Nations Educational, Scientific and Cultural Organization | — | 219 | 219 | — | — |
| United Nations Office for Project Services | — | 426 | 426 | — | — |
| University of Queensland | — | 482 | 482 | — | — |
| World Bank | — | 601 | 601 | — | — |
| Others | — | 9 | 9 | — | — |
| **Subtotal** | — | 3 743 | 3 743 | — | — |
| **UNU-INWEH total** | — | **6 856** | **6 856** | — | — |

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| **UNU-CRIS** | | | | | |
| Government donations: | | | | | |
| Belgium | 206 | 596 | 470 | — | 332 |
| **UNU-CRIS total** | **206** | **596** | **470** | **—** | **332** |
| **UNU-EHS** | | | | | |
| Government donations: | | | | | |
| European Commission | — | 264 | 264 | — | — |
| Germany | — | 3 369 | 3 369 | — | — |
| **Subtotal** | **—** | **3 633** | **3 633** | **—** | **—** |
| Other donations: | | | | | |
| Akademie für Raumforschung und Landesplanung | — | 46 | 46 | — | — |
| ATLAS Innoglobe Kft | — | 55 | 55 | — | — |
| Buendnis Entwicklung Hilft | — | 23 | 23 | — | — |
| Deutsches Zentrum fuer Luft und Raumfahrt eV | — | 1 037 | 1 037 | — | — |
| Deutscher Akademischer Austausch Dienst | — | 63 | 63 | — | — |
| Deutsches Komitet Katastrophenvorsorge eV | — | 44 | 44 | — | — |
| Deutsche Forschungsgemeinschaft Head Office | — | 33 | 33 | — | — |
| Project on environmental change and forced migration scenarios (EACH-FOR) Vulnerable & Migration Conference PT | — | 31 | 31 | — | — |
| Federal Office of Civil Protection and Disaster Assistance (BBK), Germany | — | 279 | 279 | — | — |
| Geographical Research Centre, Postsdam, Germany | — | 825 | 825 | — | — |
| Germanwatch eV | — | 166 | 166 | — | — |
| Hellenic Foundation | — | 30 | 30 | — | — |

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| Institute of Development Studies | — | 33 | 33 | — | — |
| Munich Re Foundation | — | 342 | 342 | — | — |
| Organization for Economic Cooperation and Development | — | 19 | 19 | — | — |
| Organization for Security and Cooperation in Europe | — | 12 | 12 | — | — |
| Planungsgruppe agl | — | 26 | 26 | — | — |
| Pooled funding vulnerability assessment programme | — | 27 | 27 | — | — |
| Phillips Consumer Electronics BV | — | 71 | 71 | — | — |
| Robert Bosch Stiftung GmbH | — | 56 | 56 | — | — |
| Rockefeller Foundation | — | 61 | 61 | — | — |
| United Nations Educational, Scientific and Cultural Organization | — | 25 | 25 | — | — |
| University of Bonn | — | 280 | 280 | — | — |
| University of Hannover | — | 12 | 12 | — | — |
| University of York | — | 24 | 24 | — | — |
| Vereniging NVMP | — | 284 | 284 | — | — |
| WEEE Forum | — | 33 | 33 | — | — |
| Others | — | 21 | 21 | — | — |
| **Subtotal** | — | **3 957** | **3 957** | — | — |
| **UNU-EHS total** | — | **7 590** | **7 590** | — | — |
| **UNU-IIGH** | | | | | |
| Government donations: | | | | | |
| Malaysia | — | 2 000 | 2 000 | — | — |
| Mongolia | — | 78 | 78 | — | — |
| **Subtotal** | — | **2 078** | **2 078** | — | — |

| *Operating funds* | *Unpaid pledges as at 1 January 2008* | *Add: pledges for 2008-2009 and adjustments* | *Less: collection during 2008-2009* | *Add: gain (loss) on exchange* | *Unpaid pledges as at 31 December 2009* |
|---|---|---|---|---|---|
| Other donations: | | | | | |
| World Health Organization | — | 14 | 14 | — | — |
| Others | — | 3 | 3 | — | — |
| **Subtotal** | **—** | **17** | **17** | **—** | **—** |
| **UNU-IIGH total** | **—** | **2 095** | **2 095** | **—** | **—** |
| **Operating funds total** | **456** | **65 992** | **66 117** | **—** | **332** |
| Government donations: | | | | | |
| Ghana | 1 497 | — | 600 | — | 897 |
| Malaysia | — | 8 000 | 8 000 | — | — |
| Venezuela | 3 003 | — | — | — | 3 003 |
| **Endowment Fund total** | **4 500** | **8 000** | **8 600** | **—** | **3 900** |
| **UNU Trust Fund (UNU-FAP)** | | | | | |
| Government donations: | | | | | |
| Japan | — | 1 624 | 1 624 | — | — |
| **Trust Fund total** | **—** | **1 624** | **1 624** | **—** | **—** |
| **Grand total** | **4 956** | **75 617** | **76 341** | **—** | **4 232** |

## Statement III

## United Nations University[a]
## Statement of cash flows for the biennium ended 31 December 2009

(Thousands of United States dollars)

| | *UNU Centre Operating Fund* | *UNU Headquarters Building Operating Fund* | *UNU-WIDER Operating Fund* | *UNU-MERIT Operating Fund* | *UNU-IIST Operating Fund* | *UNU-INRA Operating Fund* | *UNU-BIOLAC Operating Fund* | *UNU-IAS Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | |
| Net excess (shortfall) of income over expenditure (statement I) | 2 495 | 278 | 962 | 3 083 | (499) | 118 | 223 | 745 |
| (Increase) decrease in contributions receivable | — | — | — | (1) | — | — | — | — |
| (Increase) decrease in inter-fund balances receivable | 692 | — | 26 | 12 | — | — | — | — |
| (Increase) decrease in other accounts receivable | (269) | 46 | (10) | (24) | (283) | 9 | (3) | (315) |
| (Increase) decrease in deferred charges and other assets | (3 368) | (2 592) | 15 | (237) | (310) | (52) | — | (2 462) |
| Increase (decrease) in unliquidated obligations | (1 338) | 2 422 | (426) | 837 | 22 | 123 | (69) | 1 574 |
| Increase (decrease) in inter-fund balances payable | (3 162) | — | 255 | 81 | — | — | — | — |
| Increase (decrease) in other accounts payable | 45 | (178) | 127 | (118) | 139 | (4) | 1 | 223 |
| Increase (decrease) in other liabilities | — | — | 1 212 | 73 | 1 094 | (237) | (156) | — |
| Increase (decrease) in end-of-service and post-retirement liabilities | — | — | — | — | — | — | — | — |
| Less: interest income | (160) | — | (236) | (278) | (24) | — | — | — |
| **Net cash flows from operating activities** | **(5 065)** | **(24)** | **1 925** | **3 428** | **139** | **(43)** | **(4)** | **(235)** |
| **Cash flows from investing activities** | | | | | | | | |
| (Increase) decrease in short-term investments | — | — | — | — | — | — | — | — |
| (Increase) decrease in long-term investments | — | — | — | — | — | — | — | — |

| | *UNU Centre Operating Fund* | *UNU Headquarters Building Operating Fund* | *UNU-WIDER Operating Fund* | *UNU-MERIT Operating Fund* | *UNU-IIST Operating Fund* | *UNU-INRA Operating Fund* | *UNU-BIOLAC Operating Fund* | *UNU-IAS Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| Interest income | 160 | — | 236 | 278 | 24 | — | — | — |
| **Net cash flows from investing activities** | **160** | **—** | **236** | **278** | **24** | **—** | **—** | **—** |
| **Cash flows from financing activities** | | | | | | | | |
| Cancellation of prior-period obligations | 935 | 24 | 305 | 97 | 563 | 32 | 4 | 235 |
| Transfers (to) from other funds | 3 440 | — | — | — | — | — | — | — |
| Other adjustments to reserves and fund balances | — | — | — | — | — | — | — | — |
| **Net cash flows from financing activities** | **4 375** | **24** | **305** | **97** | **563** | **32** | **4** | **235** |
| **Net increase (decrease) in cash and term deposits and cash pool** | **(530)** | **—** | **2 466** | **3 803** | **726** | **(11)** | **—** | **—** |
| Cash and term deposits and cash pool, beginning of period | 14 221 | — | 4 725 | 4 149 | 1 380 | 16 | — | — |
| **Cash and term deposits and cash pool, end of period** | **13 691** | **—** | **7 191** | **7 952** | **2 106** | **5** | **—** | **—** |

## Statement III (continued)

| | *UNU-ILI Operating Fund* | *UNU-INWEH Operating Fund* | *UNU-CRIS Operating Fund* | *UNU-EHS Operating Fund* | *UNU-IIGH Operating Fund* | *UNU-JAE* Operating Fund* | *UNU-ICDE* Operating Fund* | *UNU-RCF* Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | |
| Net excess (shortfall) of income over expenditure (statement I) | 119 | 86 | — | 860 | 808 | (131) | — | — |
| (Increase) decrease in contributions receivable | 250 | — | (125) | — | — | — | — | — |
| (Increase) decrease in inter-fund balances receivable | — | — | — | — | — | 131 | 940 | 2 500 |
| (Increase) decrease in other accounts receivable | 267 | 239 | (1) | 100 | (12) | — | — | — |
| (Increase) decrease in deferred charges and other assets | (14) | (270) | — | (17) | (967) | — | — | — |
| Increase (decrease) in unliquidated obligations | (321) | (509) | (2) | (311) | 29 | — | — | — |
| Increase (decrease) in inter-fund balances payable | — | — | — | — | — | — | — | — |
| Increase (decrease) in other accounts payable | 23 | (294) | 7 | 41 | 41 | — | — | — |
| Increase (decrease) in other liabilities | (393) | 826 | 119 | 2 741 | — | — | — | — |
| Increase (decrease) in end-of-service and post-retirement liabilities | — | — | — | — | — | — | — | — |
| Less: interest income | — | (62) | — | — | — | — | — | — |
| **Net cash flows from operating activities** | **(69)** | **16** | **(2)** | **3 414** | **(101)** | **—** | **940** | **2 500** |
| **Cash flows from investing activities** | | | | | | | | |
| (Increase) decrease in short-term investments | — | — | — | — | — | — | — | — |
| (Increase) decrease in long-term investments | — | — | — | — | — | — | — | — |
| Interest income | — | 62 | — | — | — | — | — | — |
| **Net cash flows from investing activities** | **—** | **62** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Cash flows from financing activities** | | | | | | | | |
| Cancellation of prior-period obligations | 65 | 323 | 2 | 252 | 58 | — | — | — |

| | *UNU-ILI Operating Fund* | *UNU-INWEH Operating Fund* | *UNU-CRIS Operating Fund* | *UNU-EHS Operating Fund* | *UNU-IIGH Operating Fund* | *UNU-JAF[b] Operating Fund* | *UNU-ICDF[b] Operating Fund* | *UNU-RCF[b] Operating Fund* |
|---|---|---|---|---|---|---|---|---|
| Transfers (to) from other funds | — | — | — | — | — | — | (940) | (2 500) |
| Other adjustments to reserves and fund balances | — | — | — | — | — | — | — | — |
| **Net cash flows from financing activities** | **65** | **323** | **2** | **252** | **58** | **—** | **(940)** | **(2 500)** |
| **Net increase (decrease) in cash and term deposits and cash pool** | **(4)** | **401** | **—** | **3 666** | **(43)** | **—** | **—** | **—** |
| Cash and term deposits and cash pool, beginning of period | 9 | 2 158 | — | 5 588 | 43 | — | — | — |
| **Cash and term deposits and cash pool, end of period** | **5** | **2 559** | **—** | **9 254** | **—** | **—** | **—** | **—** |

## Statement III (continued)

| | *Total operating funds* | *Endowment Fund* | *Trust Fund* | *End-of-service and post-retirement liabilities*[c] | *All funds* | *Total 2009* | *Total 2007* |
|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | |
| Net excess (shortfall) of income over expenditure (statement I) | 9 147 | (46 015) | 599 | 988 | — | (35 281) | 61 039 |
| (Increase) decrease in contributions receivable | 124 | 600 | — | — | — | 724 | 294 |
| (Increase) decrease in inter-fund balances receivable | 4 301 | (232) | — | — | (4 069) | — | — |
| (Increase) decrease in other accounts receivable | (256) | 929 | (596) | — | — | 77 | (716) |
| (Increase) decrease in deferred charges and other assets | (10 274) | — | 120 | — | — | (10 154) | (68) |
| Increase (decrease) in unliquidated obligations | 2 031 | — | (367) | — | — | 1 664 | 1 620 |
| Increase (decrease) in inter-fund balances payable | (2 826) | (1 243) | — | — | 4 069 | — | — |
| Increase (decrease) in accounts payable | 53 | (60) | 137 | — | — | 130 | 2 402 |
| Increase (decrease) in other liabilities | 5 279 | — | — | — | — | 5 279 | — |
| Increase (decrease) in end-of-service and post-retirement liabilities | — | — | — | (988) | — | (988) | 6 693 |
| Less: interest income | (760) | (27 497) | — | — | — | (28 257) | (53 268) |
| **Net cash flows from operating activities** | **6 819** | **(73 518)** | **(107)** | **—** | **—** | **(66 806)** | **17 996** |
| **Cash flows from investing activities** | | | | | | | |
| (Increase) decrease in short-term investments | — | (3 346) | — | — | — | (3 346) | (2 221) |
| (Increase) decrease in long-term investments | — | 50 386 | — | — | — | 50 386 | (55 823) |
| Interest income | 760 | 27 497 | — | — | — | 28 257 | 53 268 |
| **Net cash flows from investing activities** | **760** | **74 537** | **—** | **—** | **—** | **75 297** | **(4 776)** |
| **Cash flows from financing activities** | | | | | | | |
| Cancellation of prior-period obligations | 2 895 | — | — | — | — | 2 895 | 2 701 |
| Transfers (to) from other funds | — | — | — | — | — | — | — |
| Other adjustments to reserves and fund balances | — | — | — | — | — | — | (5 970) |
| **Net cash flows from financing activities** | **2 895** | **—** | **—** | **—** | **—** | **2 895** | **(3 269)** |

| | *Total operating funds* | *Endowment Fund* | *Trust Fund* | *End-of-service and post-retirement liabilities*[c] | *All funds* | *Total 2009* | *Total 2007*[d] |
|---|---|---|---|---|---|---|---|
| **Net increase (decrease) in cash and term deposits and cash pool** | **10 474** | **1 019** | **(107)** | **—** | **—** | **11 386** | **9 951** |
| Cash and term deposits and cash pool, beginning of period | 32 289 | 11 490 | 882 | — | — | 44 661 | 34 710 |
| **Cash and term deposits and cash pool, end of period** | **42 763** | **12 509** | **775** | **—** | **—** | **56 047** | **44 661** |

[a] See notes 2, 3 and 4.
[b] The UNU-ICDF and UNU-RCF funds were closed as at 31 December 2009, as authorized by the Governing Council.
[c] See note 5.
[d] Comparative figures have been reclassified to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

# Statement IV

## United Nations University
## Statement of appropriations for the biennium ended 31 December 2009

(Thousands of United States dollars)

| | *Appropriations*[a] | | | *Expenditure* | | | |
|---|---|---|---|---|---|---|---|
| *Appropriation sections* | *Original* | *Changes* | *Revised* | *Disbursements* | *Unliquidated obligations* | *Total expenditure* | *Unencumbered balance* |
| **United Nations Centre** | | | | | | | |
| Staff and other personnel costs | 16 474 | (39) | 16 435 | 15 991 | 89 | 16 080 | 355 |
| General expenses | 2 993 | 2 753 | 5 746 | 5 701 | 45 | 5 746 | — |
| Research and training networks and dissemination | 16 100 | 4 643 | 20 743 | 14 307 | 1 514 | 15 821 | 4 922 |
| **Subtotal** | **35 567** | **7 357** | **42 924** | **35 999** | **1 648** | **37 647** | **5 277** |
| **UNU headquarters building** | | | | | | | |
| Staff and other personnel costs | 799 | 17 | 816 | 720 | — | 720 | 96 |
| General expenses | 4 492 | 663 | 5 155 | 4 884 | 202 | 5 086 | 69 |
| Research ad training networks and dissemination | — | — | — | — | — | — | — |
| **Subtotal** | **5 291** | **680** | **5 971** | **5 604** | **202** | **5 806** | **165** |
| **UNU-WIDER** | | | | | | | |
| Staff and other personnel costs | 5 168 | — | 5 168 | 4 370 | — | 4 370 | 798 |
| General expenses | 800 | 46 | 846 | 804 | 42 | 846 | — |
| Research and training networks and dissemination | 3 032 | 1 574 | 4 606 | 2 519 | 276 | 2 795 | 1 811 |
| **Subtotal** | **9 000** | **1 620** | **10 620** | **7 693** | **318** | **8 011** | **2 609** |
| **UNU-MERIT** | | | | | | | |
| Staff and other personnel costs | 3 046 | — | 3 046 | 1 893 | 265 | 2 158 | 888 |
| General expenses | 1 333 | — | 1 333 | 878 | 54 | 932 | 401 |
| Research and training networks and dissemination | 7 401 | 165 | 7 566 | 3 766 | 485 | 4 251 | 3 315 |
| **Subtotal** | **11 780** | **165** | **11 945** | **6 537** | **804** | **7 341** | **4 604** |

| Appropriation sections | Appropriations[a] | | | Expenditure | | | Unencumbered balance |
|---|---|---|---|---|---|---|---|
| | Original | Changes | Revised | Disbursements | Unliquidated obligations | Total expenditure | |
| **UNU-IIST** | | | | | | | |
| Staff and other personnel costs | 3 357 | (249) | 3 108 | 3 090 | 18 | 3 108 | — |
| General expenses | 566 | 78 | 644 | 644 | — | 644 | — |
| Research and training networks and dissemination | 2 436 | 703 | 3 139 | 2 088 | 277 | 2 365 | 774 |
| **Subtotal** | **6 359** | **532** | **6 891** | **5 822** | **295** | **6 117** | **774** |
| **UNU-INRA** | | | | | | | |
| Staff and other personnel costs | 1 226 | (24) | 1 202 | 975 | 33 | 1 008 | 194 |
| General expenses | 374 | 24 | 398 | 397 | 1 | 398 | — |
| Research and training networks and dissemination | 200 | 150 | 350 | 91 | 125 | 216 | 134 |
| **Subtotal** | **1 800** | **150** | **1 950** | **1 463** | **159** | **1 622** | **328** |
| **UNU-BIOLAC** | | | | | | | |
| Staff and other personnel costs | — | — | — | — | — | — | — |
| General expenses | — | — | — | — | — | — | — |
| Research and training networks and dissemination | 982 | — | 982 | 697 | 64 | 761 | 221 |
| **Subtotal** | **982** | **—** | **982** | **697** | **64** | **761** | **221** |
| **UNU-IAS** | | | | | | | |
| Staff and other personnel costs | 2 528 | — | 2 528 | 1 732 | 7 | 1 739 | 789 |
| General expenses | 1 540 | — | 1 540 | 1 380 | 4 | 1 384 | 156 |
| Research and training networks and dissemination | 5 110 | 6 454 | 11 564 | 9 130 | 1 131 | 10 261 | 1 303 |
| **Subtotal** | **9 178** | **6 454** | **15 632** | **12 242** | **1 142** | **13 384** | **2 248** |
| **UNU-ILI** | | | | | | | |
| Staff and other personnel costs | 900 | (680) | 220 | 218 | — | 218 | 2 |
| General expenses | 460 | — | 460 | 458 | — | 458 | 2 |

| *Appropriation sections* | *Appropriations*[a] | | | *Expenditure* | | | |
|---|---|---|---|---|---|---|---|
| | *Original* | *Changes* | *Revised* | *Disbursements* | *Unliquidated obligations* | *Total expenditure* | *Unencumbered balance* |
| Research and training networks and dissemination | 640 | (415) | 225 | 161 | — | 161 | 64 |
| **Subtotal** | **2 000** | **(1 095)** | **905** | **837** | **—** | **837** | **68** |
| **UNU-INWEH** | | | | | | | |
| Staff and other personnel costs | 2 037 | (95) | 1 942 | 1 942 | — | 1 942 | — |
| General expenses | 455 | 914 | 1 369 | 1 369 | — | 1 369 | — |
| Research and training networks and dissemination | 5 508 | (1 326) | 4 182 | 3 769 | 413 | 4 182 | — |
| **Subtotal** | **8 000** | **(507)** | **7 493** | **7 080** | **413** | **7 493** | **—** |
| **UNU-CRIS** | | | | | | | |
| Staff and other personnel costs | 658 | — | 658 | 586 | — | 586 | 72 |
| General expenses | 42 | — | 42 | 10 | — | 10 | 32 |
| Research and training networks and dissemination | — | — | — | (1) | 1 | — | — |
| **Subtotal** | **700** | **—** | **700** | **595** | **1** | **596** | **104** |
| **UNU-EHS** | | | | | | | |
| Staff and other personnel costs | 1 560 | 80 | 1 640 | 1 640 | — | 1 640 | — |
| General expenses | 490 | 320 | 810 | 808 | 2 | 810 | — |
| Research and training networks and dissemination | 4 458 | 1 434 | 5 892 | 4 545 | 137 | 4 682 | 1 210 |
| **Subtotal** | **6 508** | **1 834** | **8 342** | **6 993** | **139** | **7 132** | **1 210** |
| **UNU-IIGH** | | | | | | | |
| Staff and other personnel costs | 1 876 | (120) | 1 756 | 756 | — | 756 | 1 000 |
| General expenses | 400 | 120 | 520 | 479 | 16 | 495 | 25 |
| Research and training networks and dissemination | 1 123 | (43) | 1 080 | 397 | 120 | 517 | 563 |
| **Subtotal** | **3 399** | **(43)** | **3 356** | **1 632** | **136** | **1 768** | **1 588** |

| Appropriation sections | Appropriations[a] | | | Expenditure | | | Unencumbered balance |
|---|---|---|---|---|---|---|---|
| | Original | Changes | Revised | Disbursements | Unliquidated obligations | Total expenditure | |
| **Others** | | | | | | | |
| Joint Activity Fund | 209 | — | 209 | 131 | — | 131 | 78 |
| Innovative Capacity Development Fund | 137 | — | 137 | — | — | — | 137 |
| **Subtotal** | **346** | **—** | **346** | **131** | **—** | **131** | **215** |
| **Grand total** | **100 910** | **17 147** | **118 057** | **93 325** | **5 321** | **98 646** | **19 411** |

[a] As approved by the UNU Council for the biennium 2008-2009, together with authorized spending against income received for specific programmes.

## Notes to the financial statements

### Note 1
### United Nations University and its activities

(a) The Charter of the United Nations University (UNU) was adopted by the General Assembly in resolution 3081 (XXVIII) of 6 December 1973.

(b) The mission of UNU, a non-traditional international educational institution, is to carry out scholarly work of the highest quality to help resolve pressing global problems of human survival, development and welfare. To that end, UNU focuses its research, postgraduate education and knowledge dissemination activities on the most critical problems of concern to the United Nations, in particular those that affect developing countries.

(c) Through its work, UNU strives to achieve two main goals: to strengthen the capacities of institutions of higher education in developing countries to carry out high-quality research and training; and to make scholarly and policy-relevant contributions to the work of the United Nations.

(d) To accomplish those objectives, the UNU Centre in Tokyo plans, coordinates and funds academic activities carried out through its 11 research and training centres and programmes, namely the Headquarters Building Operating Fund in Tokyo; the World Institute for Development Economics Research (UNU-WIDER) in Helsinki; the Maastricht Economic and Social Research and Training Centre on Innovation and Technology (UNU-MERIT) in Maastricht, the Netherlands; the International Institute for Software Technology (UNU-IIST) in Macao, China; the Institute for Natural Resources in Africa (UNU-INRA) in Accra; the Programme for Biotechnology in Latin America and the Caribbean (UNU-BIOLAC) in Caracas; the Institute of Advanced Studies (UNU-IAS) in Yokohama, Japan; the International Leadership Institute (UNU-ILI) in Amman; the Institute for Water, Environment and Health (UNU-INWEH) in Hamilton, Canada; Comparative Regional Integration Studies (UNU-CRIS) in Bruges, Belgium; the Institute for Environment and Human Security (UNU-EHS) in Bonn, Germany; the International Institute for Global Health (UNU-IIGH) in Kuala Lumpur; the Joint Activity Fund (UNU-JAF) in Tokyo; the Innovative Capacity Development Fund (UNU-ICDF) in Tokyo; the Revolving Cash Fund (UNU-RCF) in Tokyo; and the Financial Assistance Programme (UNU-FAP) in Tokyo, which is operated through a trust fund.

### Note 2
### Summary of significant accounting policies

(a) The accounts of UNU are maintained in accordance with the Financial Regulations and Rules of the United Nations adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Under-Secretary-General for Management, or the Controller. They also take fully into account the United Nations system accounting standards, adopted by the United Nations System Chief Executives Board for Coordination (CEB). In regard to the disclosure of accounting policies, UNU follows International Accounting Standard 1, "Presentation of financial statements", as modified and adopted by CEB, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons.

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies.

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies used.

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place.

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period.

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The UNU accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity. The financial statements reflect the activities of each fund or group of funds of the same nature.

(c) The financial period of UNU is a biennium and consists of two consecutive calendar years.

(d) In general, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of UNU are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements provides a valuation materially different from the application of United Nations rates of exchange as at the end of the financial period, a footnote will be presented quantifying the difference.

(f) The financial statements of UNU are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The statement of cash flows is based on the "indirect method" of cash flows, as referred to in the United Nations system accounting standards.

(h) The financial statements of UNU are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards to the High-Level Committee on Management.

(i) Income:

(i) The University derives its income from two sources: income from the Endowment Fund and contributions to the operating funds and to the Trust Fund.

(ii) Pledged voluntary contributions from Governments to the Endowment Fund are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time. Pledges for future years are recorded as deferred income.

(iii) All Government contributions, unless otherwise specified, are credited to the Endowment Fund. The income derived from the investments of the Endowment Fund is allocated to the operating funds in accordance with decisions of the UNU Council.

(iv) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on short-term and long-term investments and investment income earned in the United Nations offices away from Headquarters cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the United Nations offices away from Headquarters cash pools are allocated to participating funds.

(v) Income for services rendered represents income received for services provided to the United Nations and other organizations which occupy offices in the UNU building and from external users of the conference and exhibition facilities.

(vi) Transfers from the Endowment Fund to the respective operating funds are shown as part of the income of operating funds.

(vii) Miscellaneous income includes income from the sale of used or surplus property, refunds of expenditure charged to prior periods, income from net gains resulting from currency translations, monies accepted for which no purpose was specified and other sundry income.

(j) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements.

(ii) Expenditure incurred for non-expendable property is charged to the budget for the period in which the non-expendable property is acquired, and is not capitalized. Inventory of such non-expendable property is maintained at historical cost.

(iii) Expenditure for future financial periods is not charged to the current financial period and is recorded as deferred charges, as referred to in subparagraph (k) (v) below.

(iv) Transfers from the Endowment Fund to operating funds are included as part of the expenditure of the Endowment Fund. See subparagraph (i) (vi) above.

(k) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits.

(ii) Investments comprise investments in bonds and equities. Short-term investments are stated at lower of cost or market; long-term investments are stated at cost. No provision is made for amortization of premiums or discounts, which are taken into account as part of the gain or loss when investments are sold.

(iii) The United Nations offices away from Headquarters cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, which are managed in cash pools for the United Nations offices away from Headquarters. Short-term investments are stated at lower of cost or market; long-term investments are stated at cost; cost is defined as the nominal value plus or minus any unamortized premium or discount. Share in the United Nations offices away from Headquarters cash pools is reported separately for each of the participating funds, and its composition and the market value of its investments are disclosed in the footnotes to the financial statements.

(iv) Inter-fund balances reflect transactions between the operating funds and the Endowment Fund. Inter-fund balances are settled periodically, depending upon the availability of cash resources.

(v) Deferred charges normally comprise expenditure items that are not properly chargeable in the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery.

(vi) Other assets include inter-office transactions between the UNU Centre and its research and training centres and programmes that are pending processing.

(vii) For the purposes of the balance sheet statement only, those portions of the education grant advances that are assumed to pertain to the scholastic year completed as at the date of the financial statement are shown under deferred charges. The full amounts of the advances are maintained as accounts receivables from staff members until the required proof of entitlement is produced, at which time the budgetary accounts are charged and the advances settled.

(viii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the University. Such acquisitions are charged against budgetary accounts in the

year of purchase. The value of non-expendable property is disclosed in notes to the financial statements.

(l) Liabilities and reserves and fund balances:

(i) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations.

(ii) Deferred income includes pledged contributions for future periods.

(iii) Commitments of UNU relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations relating to the operating funds, the Endowment Fund and the Trust Fund remain valid for 12 months following the end of the biennium to which they relate.

(iv) Other liabilities include inter-office transactions between the UNU Centre and its research and training centres and programmes that are pending processing.

(v) The Endowment Fund of the United Nations University represents the working capital fund of the UNU Centre and certain research and training centres. The fund principal represents the contributions from the donors to the Centre or specified research and training centres and is invested to earn income. Pursuant to a decision of the UNU Council at its forty-ninth session, the maximum annual withdrawal is capped at 5 per cent of the five-year average market value of the Endowment Fund (see note 4 (a), (iv)).

(vi) Authorized retained surplus represents the amounts set aside as contingency funds to cover any shortfall or delay in the payment of expected contributions, to compensate for any reduction in estimated income due to currency fluctuations and to cover any special maintenance costs for the headquarters building.

(vii) Balances relating to projects funded by donors represent the amount of specific programme contributions unspent during the period.

(viii) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits and unused vacation days. Previously, the accrued liability recorded for after-service health insurance was based on an actuarial valuation, whereas the liabilities for repatriation benefits and unused vacation days were recorded based on current costs, without discounting or other adjustments. With effect from the biennium ended 31 December 2009, the liabilities of all three groups of accrued liabilities for end-of-service and post-retirement benefits are determined on an actuarial basis. The change with respect to the repatriation benefits and unused vacation days is considered to be a change in accounting policy. The change, which is in accordance with paragraph 18 of the United Nations system accounting standards, is made in order for more reasonable estimates of those liabilities to be incorporated in the financial statements (see note 5).

(ix) Contingent liabilities, if any, are disclosed in the notes to the financial statements.

(x) The University is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined benefit plan. An actuarial valuation of the assets and pension benefits of the Pension Fund is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the University is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the University's share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The University's contribution to the Pension Fund consists of its mandated contribution at the rate established by the United Nations General Assembly, currently 7.9 per cent for the participants and 15.8 per cent for the organizations, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the United Nations General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at the date of preparation of the current financial statements, the United Nations General Assembly had not invoked this provision.

(m) Trust funds may be established by the Rector. The University follows the general provisions of the Secretary-General's bulletin ST/SGB/188 on the establishment and management of trust funds, and its supporting administrative instructions ST/AI/284, ST/AI/285 and ST/AI/286, although, as indicated in paragraph 3 of bulletin ST/SGB/188, that bulletin does not apply to institutions such as UNU, which are subject to the administrative authority of their executive heads.

**Note 3**

**Income and expenditure and changes in reserves and fund balances (statement I); assets, liabilities and reserves and fund balances (statement II); cash flows (statement III)**

(a) Statements I, II, and III contain the financial results for all the UNU funds, which are totalled into four groups of related funds and, after elimination, combined into a grand total that reflects the activities of the University. This combined presentation should not be interpreted to mean that any individual fund can be used for any purpose other than that for which it is authorized. The four groups consist of:

(i) "Operating funds", which comprise UNU Centre, UNU Headquarters Building, UNU-WIDER, UNU-MERIT, UNU-IIST, UNU-INRA, UNU-BIOLAC, UNU-IAS, UNU-ILI, UNU-INWEH, UNU-CRIS, UNU-EHS, UNU-IIGH, UNU-JAF, UNU-ICDF and UNU-RCF;

(ii) "Endowment Fund";

(iii) "Trust Fund" for the Financial Assistance Programme (UNU-FAP);

(iv) "End-of-service and post-retirement liabilities" for liabilities relating to after-service health insurance, unused vacation days and repatriation benefits.

(b) Statement I includes two calculations of the excess or shortfall of income compared with expenditure. The first calculation is based on income and expenditure only for the current period of the biennium. The second calculation shown is a net one, which includes non-budgeted accrued expenses for end-of-service and post-retirement benefits and any prior-period adjustments to income or expenditure.

(c) All funds eliminations. Upon the combination of all funds into the four groups (see note 3 (a) above), eliminations of transactions that occur across the groups (i.e. inter-group transactions) are required for a fair presentation of the "Total" column. These eliminations include transactions that comprise income of one group of funds but are the expense of another group, or a receivable of one group that is the payable of another group. All such eliminations are presented in the "All funds elimination" column.

**Note 4**
**United Nations University funds (statements I, II and III)**

(a) *Investments*. Management of the Endowment Fund has two major aspects: (i) investments and (ii) spending:

(i) Investments

The investments of the Endowment Fund are managed by a financial advisory firm and overseen by the Investment Management Division of the United Nations Joint Staff Pension Fund and the Representative of the Secretary-General for Investments of the Pension Fund. The aim of the investment policy is to maximize long-term returns, with due consideration of appropriate risk factors, in order to provide for the cash needs of UNU. With effect from 24 May 2007, the approved policy for the long-term allocation of investments is: equity, 50 per cent; fixed income, 45 per cent; cash, 5 per cent.

(ii) Spending

In accordance with a decision of the Governing Council of UNU at its forty-sixth session, cash withdrawal from the Endowment Fund to finance the biennium budget is limited to 5 per cent per year of the five-year average market value.

(b) *Cash and term deposits, investments and United Nations offices away from Headquarters cash pools*. The following tables show the breakdown of the total of cash and term deposits, short-term and long-term investments and the United Nations offices away from Headquarters cash pools that are included in statement II, by currency and type of investment (in thousands of United States dollars):

| *Currency* | *United States dollar equivalent* |
|---|---|
| United States dollars | 118 151 |
| Euros | 93 679 |
| Japanese yen | 70 470 |
| Pounds sterling | 19 054 |
| Others | 28 784 |
| **Total** | **330 138** |

| *Type* | | | *United States dollar equivalent*[a] |
|---|---|---|---|
| Cash and term deposits | | | 41 556 |
| Short-term investments: | | | |
| | Bonds | | 12 131 |
| Long-term investments: | | | |
| | Bonds | 122 824 | |
| | Equities | 139 136 | 261 960 |
| United Nations offices away from Headquarters cash pools | | | 14 491 |
| **Total** | | | **330 138** |

[a] The market value as at 31 December 2009 was $12,176,862 for short-term investments and $278,890,018 for long-term investments. As indicated in footnote [b] to statement II on assets, liabilities and reserves and fund balances, the market values of the short-term and long-term investments in the United Nations offices away from Headquarters cash pools as at 31 December 2009 were $3,090,558 and $4,821,433 respectively.

(c) *Voluntary contributions receivable*. The following is an aged analysis of the pledged contributions receivable included in statement II (in thousands of United States dollars):

| *Country* | *Less than one year* | *More than one year* | *Total 2009* | *Total 2007* |
|---|---|---|---|---|
| Belgium | 332 | — | 332 | 206 |
| Ghana | — | 897 | 897 | 1 497 |
| Jordan | — | — | — | 250 |
| Venezuela | — | 3 003 | 3 003 | 3 003 |
| **Total** | **332** | **3 900** | **4 232** | **4 956** |

(d) *Other accounts receivable*. The following is an aged analysis of other accounts receivable included in statement II (in thousands of United States dollars):

| *Other accounts receivable* | *Less than one year* | *More than one year* | *Total 2009* | *Total 2007* |
|---|---|---|---|---|
| Governments | 144 | 112 | 256 | — |
| Staff members | 327 | 414 | 741 | 384 |
| Vendors | — | — | — | 249 |
| Other United Nations entities | 540 | 228 | 768 | 507 |
| Accrued interest | 1 931 | — | 1 931 | 2 869 |
| Others | 867 | 630 | 1 497 | 1 261 |
| **Total** | **3 809** | **1 384** | **5 193** | **5 270** |

(e) *Deferred charges and other assets*. The following is an analysis of deferred charges and other assets included in statement II (in thousands of United States dollars):

| *Deferred charges and other assets* | *2009* | *2007* |
|---|---|---|
| Education grant advances | 88 | 254 |
| Commitments against future years | 4 965 | — |
| Others | 120 | 44 |
| **Total** | **5 173** | **298** |

(f) *Other accounts payable*. The following is an analysis of other accounts payable included in statement II (in thousands of United States dollars):

| *Other accounts payable* | *2009* | *2007* |
|---|---|---|
| Due to other United Nations entities | 33 | 941 |
| Others | 3 690 | 2 652 |
| **Total** | **3 723** | **3 593** |

(g) *Reserves and fund balances*. The following table shows the composition of total reserves and fund balances (in thousands of United States dollars):

| *Reserves and fund balances* | *2009* | *2007* |
|---|---|---|
| Net excess (shortfall) of income over expenditure | (35 281) | 61 039 |
| Cancellation of prior-period obligations | 2 895 | 2 701 |
| Other adjustments to reserves and fund balances | — | (5 970) |
| **Subtotal** | **(32 386)** | **57 770** |
| Reserves and fund balances, beginning of period | 357 312 | 299 542 |
| **Reserves and fund balances, end of period** | **324 926** | **357 312** |

(h) *Endowment Fund.* The following table shows the composition of the Endowment Fund by Centre and research and training centre (in thousands of United States dollars):

| *Centre and research and training centres* | *31 December 2009* | | | *31 December 2007* | | |
|---|---|---|---|---|---|---|
| | *Principal* | *Cumulative surplus/(deficit)* | *Total* | *Principal* | *Cumulative surplus/(deficit)* | *Total* |
| UNU Centre | 128 161 | 25 618 | 153 779 | 128 161 | 54 975 | 183 136 |
| UNU-WIDER | 36 256 | 10 887 | 47 143 | 36 256 | 19 590 | 55 847 |
| UNU-MERIT | 15 429 | 3 598 | 19 027 | 15 429 | 7 023 | 22 452 |
| UNU-IIST | 29 997 | 6 593 | 36 590 | 29 997 | 13 123 | 43 120 |
| UNU-INRA | 6 391 | (3 120) | 3 271 | 6 391 | (1 110) | 5 281 |
| UNU-BIOLAC | 10 000 | 669 | 10 669 | 10 000 | 2 297 | 12 297 |
| UNU-ILI | 1 000 | 611 | 1 611 | 1 000 | 901 | 1 901 |
| UNU-EHS | 2 536 | 265 | 2 801 | 2 536 | 771 | 3 306 |
| UNU-IIGH | 16 000 | (262) | 15 738 | 8 000 | 1 304 | 9 304 |
| **Total** | **245 770** | **44 859** | **290 629** | **237 770** | **98 874** | **336 644** |

**Note 5**
**End-of-service and post-retirement benefits**

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits and commutation of unused vacation days. As disclosed in note 2 (l) (viii), with effect from the biennium ended 31 December 2009, all three liabilities are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm.

(b) After-service health insurance

(i) Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations University, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations University health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance.

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2009 were a discount rate of 6.0 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and 6.0 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for medical plans outside the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. By comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2007 were a discount rate of 5.5 per cent; and health-care escalation rates of 9.5 per cent in 2008, grading

down to 5.0 per cent in 2015 and later years for United States medical plans, and 5.7 per cent in 2008 grading down to 4.5 per cent in 2012 and later years for medical plans outside the United States. There were no changes in the Pension Fund retirement, withdrawal and mortality assumptions since the 2007 valuation.

(iii) Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the University's residual liability. Thus, contributions from retirees are deducted from the gross liability and, commencing with the 31 December 2009 valuation, a portion of the contributions from active staff is also deducted to arrive at the University's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the University's share shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan. This refinement in the determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health-insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios.

(iv) On the basis outlined in (ii) and (iii) above, the present value of the accrued liability as at 31 December 2009, net of contributions from plan participants, was estimated at $3,614,000. This reflects actuarial gains of $1,454,000 resulting from the updating and refinement of actuarial assumptions noted in (ii) and (iii) above and based on updated census, health-insurance claim and other data.

| *After-service health insurance liabilities at 31 December 2009* | *Accrued liability (thousands of United States dollars)* |
|---|---|
| Gross liability | 5 822 |
| Offset by contributions from plan participants | (2 208) |
| **Net liability** | **3 614** |

(v) Further to the assumptions set out in (b) (ii) above, it is estimated that the present value of the liability would increase by 23 per cent or decrease by 18 per cent, respectively, if the medical cost trend increased or decreased by 1 per cent, all other assumptions remaining constant. Similarly, it is estimated that the accrued liability would increase by 24 per cent or decrease by 18 per cent, respectively, if the discount rate is decreased or increased by 1 per cent, all other assumptions remaining constant.

(c) Repatriation benefits

(i) Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

(ii) As referred to in note 2 (l) (viii), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December

2009. Previously, the liabilities for repatriation benefits were calculated on the basis of current costs as at the reporting date, without discounting or other adjustments.

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per centannual salary increases ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members, and travel cost increases of 4.0 per cent per annum.

(iv) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2009 was estimated at $1,310,000.

(v) The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been retroactively applied owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $1,992,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $682,000.

(d) Unused vacation days

(i) Upon end of service, staff members may commute unused vacation days, up to a maximum of 60 working days for those holding fixed-term or continuing appointments.

(ii) As referred to in note 2 (l) (viii), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2009. Previously, the liabilities for unused vacation days were calculated on the basis of current costs as at the reporting date, without discounting or other adjustments.

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent and an annual rate of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth years, and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salaries are assumed to increase annually at rates ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members.

(iv) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2009 was estimated at $781,000.

(v) The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $1,531,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and non-budgeted accrued expenses in the amount of $750,000.

## Note 6
## Contributions in kind

During the biennium 2008-2009, the University received voluntary contributions in kind for various goods and services from Governments and from other organizations. The estimated fair value of such contributions in kind is as follows (in thousands of United States dollars):

| *Location* | *2009* |
|---|---|
| UNU Centre, Tokyo | 2 795 |
| UNU, Paris | 60 |
| UNU-WIDER, Helsinki | 15 |
| UNU-IAS, Yokohama, Japan | 2 980 |
| UNU-Vice Rectorate in Europe, Bonn, Germany | 84 |
| UNU-EHS, Bonn, Germany | 156 |
| **Total** | **6 090** |

## Note 7
## Non-expendable property

(a) In accordance with the University's accounting policies, non-expendable property is not included in the fixed assets of UNU but is charged against the current appropriations when acquired. The following table shows the value of non-expendable property at the UNU Centre and the UNU research and training centres, according to the cumulative records of UNU (in thousands of United States dollars):

| *Location* | *2009* | *2007* |
|---|---|---|
| UNU Centre, Tokyo | 2 756 | 2 608 |
| UNU Centre, Kuala Lumpur | 74 | 56 |
| UNU, New York | 81 | 67 |
| UNU, Paris | 30 | 47 |
| UNU-Vice Rectorate in Europe, Bonn, Germany | 138 | 52 |
| UNU-WIDER, Helsinki | 279 | 211 |
| UNU-MERIT, Maastricht, the Netherlands | 568 | 432 |
| UNU-IIST, Macao, China | 417 | 401 |
| UNU-INRA, Accra | 128 | 156 |
| UNU-INRA Unit, Lusaka | 144 | 141 |
| UNU-BIOLAC, Caracas | 48 | 44 |
| UNU-IAS, Yokohama, Japan | 759 | 721 |
| UNU-ILI, Amman | 342 | 332 |
| UNU-INWEH, Hamilton, Canada | 167 | 160 |
| UNU-EHS, Bonn, Germany | 288 | 258 |
| UNU-IIGH, Kuala Lumpur | 129 | 15 |
| **Total** | **6 348** | **5 701** |

(b) The change in regard to non-expendable property is summarized below (in thousands of United States dollars):

| | *2009* |
|---|---|
| Opening balance as at 1 January 2008 | 5 701 |
| Add: acquisitions | 1 005 |
| Less: write-offs due to accidents, thefts and damages | (2) |
| Less: dispositions | (572) |
| Other adjustments[a] | 216 |
| **Balance as at 31 December 2009** | **6 348** |

[a] Represents adjustments mainly for group inventory items that were previously excluded.

In addition to the above-mentioned inventory records, separate inventory records are maintained for furniture and equipment that have been made available to the UNU Centre and the research and training centres programmes by the respective host countries and certain private donors.

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